



# **Annual Report**

**INCORPORATING PERFORMANCE REPORT**

**2009/10**

# Table of contents

	Page
<b>PART ONE:</b>	
<b>Introduction and Overview</b>	
Vision	4
Mission	4
Core values	4
Municipal priorities	5
Political leadership	6
Management leadership	7
Foreword by the Executive Mayor	8
Executive review by the Municipal Manager	10
Overview of the municipality	12
<b>PART TWO:</b>	
<b>Performance Highlights</b>	
Introduction	18
Office of the Municipal Manager	20
Budget and Treasury Office	22
Corporate Services	24
Local Economic Development	26
Community Services	27
Infrastructure Services	30
Service delivery backlogs	31
Zoning and building plans	35
<b>PART THREE:</b>	
<b>Human Resource and Organisational Management</b>	
Organisational structure	36
Staff establishment	37
Employment equity	39
Skills development	40
Personnel expenditure trends	41
Medical aid funds	41
Pension and provident funds	42
Salary disclosures	43
Other relevant HR and organisational management information	45

## **PART FOUR:**

### **Audited Statements and Related Financial Information**

Report of the Chief Financial Officer	50
Report of the Audit Committee	55
Action plan to address issues raised by the Auditor-General	56
Report of the Auditor-General	58
Audited Financial Statements	
General information	68
Administrator's responsibilities and approval	71
Statement of Financial Position	72
Statement of Financial Performance	73
Statement of Changes in Net Assets	74
Cash Flow Statement	75
Accounting Policies	76
Notes to Financial Statements	79

## **PART FIVE:**

### **Performance and Service Delivery Reporting**

Legislative provisions	107
TMDM-Performance Management System (PMS)	108
<i>Key Performance Area 1:</i>	
Municipal Transformation and Organisational Development	114
<i>Key Performance Area 2:</i>	
Service Delivery and Infrastructure Delivery	117
<i>Key Performance Area 3:</i>	
Community and Social Development	118
<i>Key Performance Area 4:</i>	
Local Economic Development	119
<i>Key Performance Area 5:</i>	
Municipal Financial Viability and Management	120
<i>Key Performance Area 6:</i>	
Good Governance and Public Participation	121
<i>Key Performance Area 7:</i>	
Cross-cutting Interventions	122
2010/11 Service Delivery and Performance Targets	123

# **PART ONE**

## **Introduction and Overview**

### **VISION**

To create integrated, self-reliant and sustainable communities throughout the Thabo Mofutsanyana highlands, with financially viable, participative and developmental local municipalities.

### **MISSION**

Continuously improving and developing living conditions of our communities by providing efficient and effective bulk services and create a conducive environment for business opportunities and job creation.

### **CORE VALUES**

Integrity  
Transparency  
Commitment  
Co-Operation  
Openness Consultation  
Responsiveness  
Effective Communication  
Corporate governance  
Social responsibility  
Services delivered in line with Batho Pele principles  
High level of professionalism, integrity and objectivity

The District municipality's **key priorities** are as follow:

- Sustainable infrastructures
- Local Economic Development, Job creation and Tourism
- Social and Human development
- Good Governance
- Financial viability

## Political Leadership



Speaker  
Clr Ntheli



Executive Mayor  
Mof: M.P. Mopeli



Chief Whip  
Clr Motoeneng



MMC: Clr Lengoabala  
Transport and Disaster  
Management



MMC: Clr Mosupa  
Community Services



MMC: Clr N. Mopeli  
Rural Development



MMC: Clr S. Moleleki  
Planning and Human  
Settlements



MMC: Clr C.J. Makhoba  
Corporate Services



MMC: Clr M. Tshabalala  
Finance

## Management Leadership



Ms. MRE Mogopodi  
Municipal Manager



Ms. TPM Lebenya  
Executive Manager:  
Community Services



Mr. MB Mphahlele  
Executive Manager:  
Infrastructure Services



Ms. N. Malatjie  
Act Executive Manager:  
Corporate Services

## **Foreword by the Executive Mayor**

Once again I am honoured to draw your attention to the record of Thabo Mofutsanyana District Municipality achievements and challenges alike in this Annual Report 2009/2010.

Full of confidence that the road we have traversed this far has provided us with lessons and strength to push forward in meeting the mandate given to us by our people irrespective of the limited resources at our disposal.

This year has been a learning curve for all of us, it has been a year very daunting to all humanity and various sectors of our society because of the global meltdown which has affected even the most developed and rich economies. Our district being one of the rural and poor did not survive this crisis but we did not surrender but soldiered on to meet the aspirations of our people.

We also saw a huge exodus of skilled and committed human capital ever in the history of the municipality, which has resulted in the disjointedness of the administration of the municipality and the quality of services to our people was also adversely affected.

The introduction of the section 139 by the cabinet and the support we have received from the provincial government brought a life line to us and in February 2010 when we adopted a municipal turnaround strategy, that became a real turning point because I can bravely say without any fear of contradiction, Thabo Mofutsanyana district Municipality is on course and indeed we are on change path.

We have adopted a municipal turnaround strategy which aims to reposition our municipality back to its original focus and commitment of creating integrated, sustainable and self-reliant communities with financially viable, participative and developmental local municipalities.

Notable progress was achieved in this financial year, MIG projects that were still outstanding were completed, our IDP and budgeted processes were revitalized to be people driven and people centered, the support that we are mandated to provide to our local municipalities is forth-coming and the municipality is taking part in the national programmes such as HCT, EPWP and operation clean audit 2014 not only as a matter of compliance but with a clear conviction of achieving all set targets.

I want to sincerely thank the support of the provincial government under the leadership of our humble Premier ES Magashule, the support we have also received from National CoGTA



and Treasury as well as the commitment of our administration and council and the organised labour in turning around the wheels for the better.

Working together we did achieve much and we are still to achieve more.

**MOFUMAHADI MATHOKOANA MOPELI**  
**EXECUTIVE MAYOR**

## **Executive review by the Municipal Manager**

In the four years since the new administration of Thabo Mofutsanyana District Municipality was appointed, the District has made consistent inroads to addressing the services backlog and is on track to meeting its five-year targets in most instances.

The historical problems existing in the District are slowly been eroded with more efficient management and greater risk management, and I am pleased to report that qualifications by the Auditor General are being addressed. To this end the District was placed under section 139, with clear issues that needed to be addressed, and these were coupled with time frames. Council adopted the section 139 turnaround strategy in December 2009. Fortunately the Department of Corporative Governance and Traditional Affairs (CoGTA) introduced the Municipal Turnaround Strategy, which was duly adopted by Council on the 18<sup>th</sup> February 2010.

The District Turnaround Plan coupled with the IDP, are the guiding documents for the District. During the year under review, the District Council together with the Administrator and senior staff revisited the budget and plans, and devised plans to get the District going.

The Municipal Manager's post and those of section 57 managers were advertised, with a view of filling those posts in the new financial year. COGTA-Free State assisted the municipality in procuring the services of a firm of auditors, to assist with the correction and improvement of financial management. To this end financial statements were prepared and submitted in time. The IDP and Budget were prepared and submitted on time. The will to keep the momentum is there, and results should be visible in the year ahead.

Through the revisions of our Integrated Development Plan (IDP), as provided for in the Municipal Systems Act 32 (2000), we have persevered in achieving the targets set on five strategic objectives that drive us in our developmental efforts, as well as to ensure that we move towards the implementation of District Municipality mandates.

Our five strategic objectives are:

- Provide quality basic services and infrastructure.
- Facilitate higher and shared economic growth and development.
- Fight poverty; build clean, healthy, safe and sustainable communities.
- Foster a participatory democracy and Batho Pele Principles through a caring, accessible and accountable service.

- Ensure good governance, financial viability and optimal institutional transformation with capacity to execute its mandate.

The financial year under review was challenging in that the Municipality stretched its resources to discharge its statutory responsibilities despite the slowdown in the economy. Moreover the non-receipt of the Municipal Infrastructure Grant (MIG) adversely affected our responsibility of providing local municipalities with the much needed bulk services. We are however hopeful that this grant will be restored, based on our effort to turn the municipality around for the better.

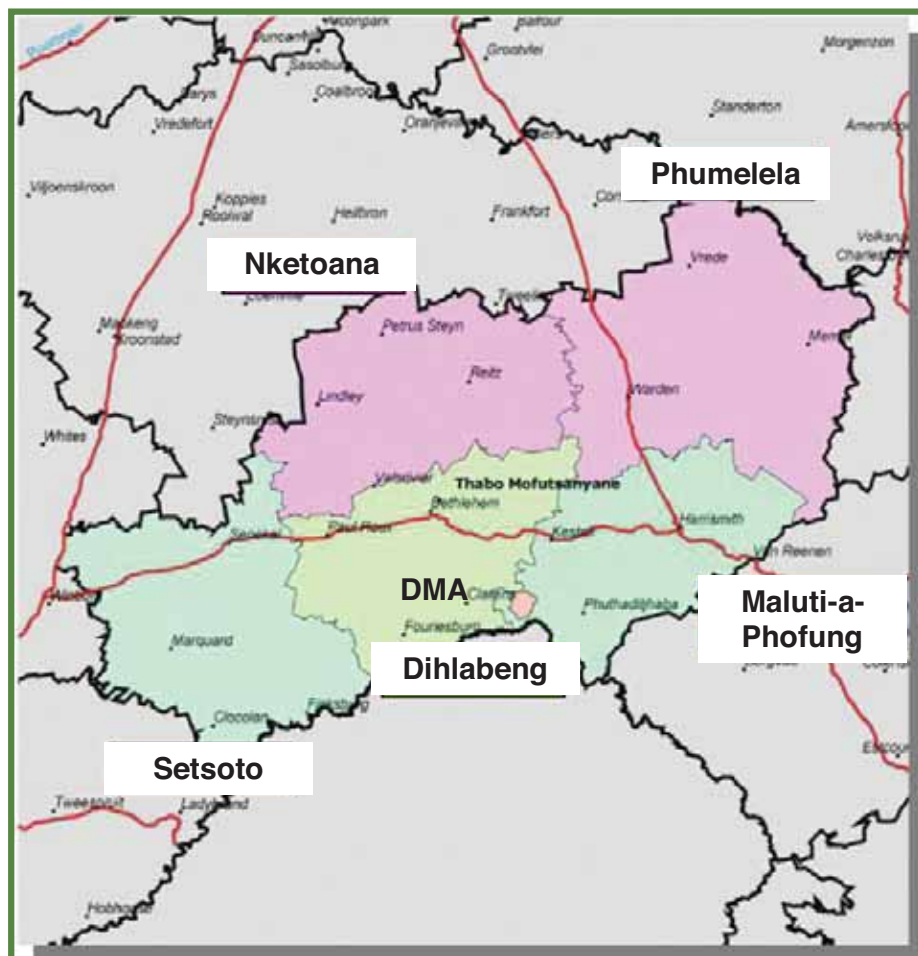
We have responded well in delivering our mandate within the confines of the section 139 provisions, and adapted to the municipal turnaround strategy, and the government landscape that is ever changing by laying a solid foundation for delivering the needed local government services to the wider community of the District in the coming years. To this end we are proud to report that section 139 has been lifted. Our endeavors for a transparent and accountable administration, led by a resourceful political leadership have seen this municipality achieving an unqualified audit report for the year under review.

**MATIRO E MOGOPODI**  
**MUNICIPAL MANAGER**

## Overview of the municipality

Thabo Mofutsanyana District Municipality is situated in the North eastern part of the Free State Province and borders for most of Lesotho and Kwazulu Natal. It nestles in the shades of the Maluti between the Orange River in the south and the Vaal River in the north. Its Head Office is situated in Phuthaditjhaba about 48km south-west of Harrismith (R712) and 142km North-east of Ficksburg.

Thabo Mofutsanyane District is one of five district municipalities in the Free State. With the exception of Xhariep district municipality, it is bordered by three other district municipalities of the province namely, Motheo in the south, Lejweleputswa in the west and Fezile Dabi in the north. Other borders include Lesotho in the southeast, Kwa-zulu Natal in the East and Mpumalanga in the northeast. Thabo Mofutsanyane has been divided into five local municipal areas, with Setsoto forming the south-western section, Dihlabeng the south middle section, Nketoana the north middle section and Maluti-a-Phofung the south-eastern section and Phumelela the north-eastern section of the district and nineteen urban centres.



The area is primarily agricultural in nature and includes the former homelands of Qwaqwa and the municipal area is (km<sup>2</sup>) 26 035, 4 big. The main centres in the District are Bethlehem, Ficksburg, Harrismith, Vrede, Memel, Phuthaditjhaba, Senekal, Reitz and Warden. The most populated municipality is Maluta-Phofung which was declared as a node and has 52% of the district population and a density of about 88 people per sq km.

Thabo Mofutsanyana is well known for several tourists' attractions and destinations and also features a variety of annual festivals. These festivals include among others the following:

**Fouriesburg:** Surrender Hill Marathon in February and the Rose Show in October.

**Qwaqwa:** Basotho Cultural Village traditional workshop and Family Day celebration in March

**Ficksburg:** Easter Festival at Rustlers valley in April and the Cherry Festival in November.

**Bethlehem:** Air show in May and the Hot Air Balloon competition in June.

**Harrismith:** Free State Polo championships in May and the Berg Bohaai in October.

The table below indicates the urban centres in each local municipality.

*Urban centres located within a Local Municipality's area of jurisdiction*

<b>Dihlabeng Local Municipality</b>	<b>Maluti-a- Phofung Local Municipality</b>	<b>Nketoana Local Municipality</b>	<b>Phumelela Local Municipality</b>	<b>Setsoto Local Municipality</b>
Bethlehem	Harrismith	Reitz	Vrede	Ficksburg
Clarens	Kestell	Petrus Steyn	Memel	Clocolan
Fouriesburg	QwaQwa	Lindley	Warden	Marquard
Paul Roux	Tshiame	Arlington		Senekal
Rosendal	Phuthaditjhaba			

*Source: Department of Local Government and Housing Free State*

## Demographic and service delivery statistics from Stats SA

(Source: Statistics South Africa.2008. Community Survey, 2007: Basic Results Municipalities)

### Total population and number of households per municipality

The total population of the Thabo Mofutsanyana District decreased by 4.4% from 725 939 in 2001 to 694 316 in 2007 compared to an increase of 2.4% in the population of the Free State Province from 2 706 775 to 2 773 059. The number of households in the District however increased by 2.2% from 183 049 in 2001 to 187 115 in 2007.

Maluti-a-Phofung and Nketoana showed an increase, whilst Setsoto, Dihlabeng and Phumelela showed a decrease in population and number of households between 2001 and 2007.

	Population		Households	
	Census 2001	CS 2007	Census 2001	CS 2007
Setsoto	123 194	102 826	32 746	29 828
Dihlabeng	128 929	108 449	33 027	31 836
Nketoana	61 951	62 367	14 904	16 748
Maluti-a-Phofung	360 787	385 413	90 390	97 172
Phumelela	50 906	35 090	11 934	11 531
DMA	171	171	49	-
<b>Total District</b>	<b>725 939</b>	<b>694 316</b>	<b>183 049</b>	<b>187 115</b>
<b>Total Free State</b>	<b>2 706 775</b>	<b>2 773 059</b>	<b>733 302</b>	<b>802 872</b>

Housing is one of the basic human needs that have a profound impact on the health, welfare, social attitudes and economic productivity of the individual. It is also one of the best indications of a person's standard of living and of his or her place in society.

In achieving the Millenium Development Goals, South African Government Policy is to ensure that its citizens live within good housing conditions. In order to achieve this goal, the government wants to eliminate all informal dwellings, bucket type of toilets, and ensure that all citizens have access to electricity for lighting, and access to clean, safe water within a reasonable distance.

### Percentage of households living in formal and informal dwellings by municipality

Formal dwelling is a house, flat, semi-detached house, unit in a complex, room in the backyard and not in backyard

Informal dwelling is a shack/squatter settlement

	Formal dwellings		Informal dwellings	
	Census 2001	CS 2007	Census 2001	CS 2007
Setsoto	46,8	58,5	40,8	31,7
Dihlabeng	63,3	80,7	24,5	11,5
Nketoana	57,6	60,6	26,1	31,9
Maluti-a-Phofung	65,2	73,6	13,2	7,9
Phumelela	56,8	67,8	20,4	14,4
DMA	89,8	0,0	0,0	0,0
<b>Total District</b>	<b>60,4</b>	<b>70,9</b>	<b>21,7</b>	<b>14,9</b>
<b>Total Free State</b>	<b>66,5</b>	<b>71,0</b>	<b>26,1</b>	<b>16,3</b>

### Percentage of households using electricity for lighting, cooking and heating by municipality

Other sources of energy/fuel used include gas, paraffin, candles, solar and other.

	Lighting		Cooking		Heating	
	Census 2001	CS 2007	Census 2001	CS 2007	Census 2001	CS 2007
Setsoto	72,6	88,6	32,4	60,4	22,9	30,3
Dihlabeng	66,8	85,5	41,3	70,1	34,9	51,0
Nketoana	76,2	71,7	35,1	54,9	28,4	30,3
Maluti-a-Phofung	56,6	78,9	33,9	66,7	27,0	41,9
Phumelela	64,6	78,1	24,6	55,5	23,3	45,4
DMA	100,0	0,0	100,0	0,0	95,9	0,0
<b>Total District</b>	<b>63,4</b>	<b>80,9</b>	<b>34,5</b>	<b>64,5</b>	<b>27,6</b>	<b>40,8</b>
<b>Total Free State</b>	<b>74,4</b>	<b>80,0</b>	<b>51,4</b>	<b>66,5</b>	<b>49,0</b>	<b>58,8</b>

**Percentage of households using pit latrine, bucket and no toilet facility by municipality**

	Pit latrine		Bucket		No toilet	
	Census 2001	CS 2007	Census 2001	CS 2007	Census 2001	CS 2007
Setsoto	11,0	21,7	52,0	37,5	13,2	6,5
Dihlabeng	10,1	9,4	16,0	9,6	16,8	3,2
Nketoana	17,7	24,0	54,6	41,7	14,4	5,4
Maluti-a-Phofung	70,1	65,2	2,1	0,2	3,4	1,8
Phumelela	20,9	21,3	27,1	21,2	19,3	11,2
DMA	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total District</b>	<b>41,2</b>	<b>42,4</b>	<b>19,5</b>	<b>12,7</b>	<b>9,5</b>	<b>3,7</b>
<b>Total Free State</b>	<b>22,7</b>	<b>22,0</b>	<b>20,5</b>	<b>12,7</b>	<b>9,7</b>	<b>3,2</b>

**Percentage of households by type of refuse disposal and municipality**

No refuse disposal refers to communal refuse dump, own refuse dump, no rubbish disposal and other.

	Removed by local authority/private company at least once a week		Removed by local authority/private company less often		No refuse disposal	
	Census 2001	CS 2007	Census 2001	CS 2007	Census 2001	CS 2007
Setsoto	52,0	55,5	12,0	12,2	10,4	12,0
Dihlabeng	63,0	81,1	1,8	0,8	11,9	4,6
Nketoana	63,6	62,9	1,6	1,9	10,4	10,3
Maluti-a-Phofung	22,3	27,8	0,6	0,5	16,4	11,5
Phumelela	60,9	70,9	1,5	0,0	10,9	14,9
DMA	38,8	0,0	2,0	0,0	0,0	0,0
<b>Total District</b>	<b>40,8</b>	<b>47,1</b>	<b>3,0</b>	<b>2,5</b>	<b>13,7</b>	<b>10,5</b>
<b>Total Free State</b>	<b>58,6</b>	<b>74,4</b>	<b>3,2</b>	<b>1,7</b>	<b>9,5</b>	<b>5,2</b>



### Percentage of households having access to piped water by municipality

	Piped water inside dwelling		Piped water inside yard		Piped water from access point outside yard		Total piped water	
	Census 2001	CS 2007	Census 2001	CS 2007	Census 2001	CS 2007	Census 2001	CS 2007
Setsoto	13,0	29,2	34,9	62,9	47,3	3,4	95,2	95,5
Dihlabeng	25,0	58,8	48,7	31,4	20,4	3,4	94,0	93,7
Nketoana	13,9	44,5	63,8	33,6	19,6	15,9	97,3	94,0
Maluti-a-Phofung	16,9	28,0	39,2	50,7	36,9	20,1	92,9	98,8
Phumelela	13,9	48,2	59,4	35,9	18,3	5,6	91,6	89,7
DMA	73,5	0,0	24,5	0,0	2,0	0,0	100,0	0,0
<b>Total District</b>	<b>17,2</b>	<b>36,1</b>	<b>43,4</b>	<b>46,9</b>	<b>33,1</b>	<b>13,3</b>	<b>93,8</b>	<b>96,4</b>
<b>Free State</b>	<b>22,8</b>	<b>46,2</b>	<b>47,7</b>	<b>40,6</b>	<b>25,1</b>	<b>10,5</b>	<b>95,7</b>	<b>97,3</b>

## PART TWO

### PERFORMANCE HIGHLIGHTS

#### Introduction

Free State Province Government Executive Council led by the Premier ES Magashule embarked on supporting struggling municipalities. It was during this period when a special report on the status quo of municipalities was made to the MEC for Cooperative Governance, Traditional Affairs and Human Settlements. Among others, the report identified and highlighted serious non compliance issues and maladministration in the Thabo Mofutsanyana District Municipality. During its sitting on the 3<sup>rd</sup> November 2009 the Executive Council resolved to intervene in this municipality by evoking section 139(1) (b) of the Constitution. The Executive Council appointed Mr Sekhothe Cornelius Polelo –Acting DDG Human Settlements as an Administrator in Thabo Mofutsanyana District Municipality.

The performance highlights indicated were thus endeavours by the municipality to correct shortcomings identified by the said report.

As the first step, the municipality developed a turnaround strategy and it was adopted by Council on 14 December 2009. The purpose of this strategy was to restore the optimum functioning of the Thabo Mofutsanyana Municipality.

The municipality set itself the following key results areas:

*Key Result Area 1:* Create credible staff establishment and speeding up appointment of key personnel.

*Key Result Area 2:* Coordinate and ensure alignment of credible Integrated Development Plans.

*Key Result Area 3:* Enhance and promote appropriate financial management.

*Key Result Area 4:* Create cohesive sustainable Local Economic Strategy.

*Key Result Area 5:* Strengthen the skills and human resource base.

*Key Result Area 6:* Advancement and enhancement of intergovernmental relations, stakeholder mobilization and cooperation.

The next section in this chapter provides an overview of the functions, activities and strategic objectives of the main functional areas in the municipality and further highlights the key performance issues and challenges for the year under review in respect of the above key result areas.

# **OFFICE OF THE MUNICIPAL MANAGER**

## **Overview**

The Office of the Municipal Manager is required to lead and direct the administration aspects of the Municipality and account to the Municipal Council so that economic growth and development is facilitated, poverty is alleviated, an efficient and effective service is delivered to stakeholders and the long term sustainability of the Municipality is ensured within the requirements of the relevant legislation

## **Description of the activity**

Ensure the provision of efficient and effective service delivery to the community so that the requirements in the IDP are met in relation to public safety, health, water, waste and electricity, roads, community services and local economic development, communications and planning.

## **The strategic objectives of the office of the municipal manager are to –**

- Manage the interface with the Mayor and Council so that the administration is aligned with the political priorities of Council
- Oversee the strategic planning for the Municipality that will ensure alleviation of poverty and the facilitation of sustainable economic growth and development so that it is in alignment with political priorities; the needs of the community, budgetary constraints and human resources capacity.

## **The key performance issues, highlights and challenges for 2009/10 were:**

- The municipality being placed under administration was a big challenge.
- Turning the Municipality around was a mammoth task, but achievable with willing and able colleagues
- The fruit of hard labour was an unqualified audit opinion, and the lifting of the sec 139 order.
- The IDP was adopted by Council within the specified time frame.
- The Performance Management Framework has been adopted by Council.
- The SDBIP has been submitted to, and approved by the Executive Mayor.

- A comprehensive district wide report on Operation Hlasela was compiled, and presented to the Premier's Office
- All local municipalities have been assisted with IDP conceptualization, Performance Management System (PMS), Spatial Development Framework (SDF), and Municipal TurnAround Strategy (MTAS) reporting
- In regard to intergovernmental relations for the year under review, the District has established and attended the following fora:
  - Mayors Forum-Chaired by District Executive Mayor
  - Speakers Forum- Chaired by District Speaker
  - Municipal Managers Forum- Chaired by District MM, later Phumelela LM MM
  - Premier Co-coordinating Forum- Reporting on behalf of the District

## **BUDGET AND TREASURY OFFICE**

### **Overview**

The Budget and Treasury Office is responsible for the overall administration and management of the municipality's financial resources to ensure that the key principles of effectiveness, efficiency and economy are observed.

### **Description of the activity**

To manage and control all financial functions of the Municipality so that the current and future effectiveness of Council services, programmes and operations is ensured in a sustainable way. These functions include accounting; budgetary control; cash receipts and disbursements; payroll; credit control and collections; financing; banking; investment; risk management and taxes.

### **The strategic objectives of the finance department are to –**

- Monitor and control the Finance Department budget so that expenditure is in line with Council's requirements.
- Take overall responsibility for the management of the Department so that all Council policies and procedures are adhered to. This includes policies relating to procurement, finance, treasury, regulations.
- Develop a medium term financial framework within which Council can operate.

### **The key performance issues, highlights and challenges for 2009/10 were:**

- Obtaining an unqualified audit opinion from the Auditor-General for 2009/10 financial year.
- Control around the banking arrangement of using Cash Focus was improved as a priority activity to reduce the risk of fraudulent or unsupported cash transactions to take place.
- The review of the financial system was conducted by an information systems specialist from external auditors commissioned by COGTA.

- The turnaround included the documenting and mapping of roles and responsibilities. This process identified any changes that may be required to the organogram.
- Bank reconciliations were being performed on investment accounts
- Monthly fixed assets reconciliation performed between financial system – general ledger (GL) and fixed assets register (BAUD system);
- The old RCS debtors have been handed over to debt collectors for collection. The collections received from this have been accounted for as income and not a recovery of debtors. This results in the outstanding debtors balance on the system being overstated (this was also an audit finding); This anomaly has been corrected.
- A grant register has been implemented in the Municipality and consequently grant reconciliations are being performed;
- The DoRA returns as required by National Treasury are being submitted
- The leave register was reconciled with payroll.
- A total of five systems are in use at the Municipality. These systems are not integrated and in some cases, this poses a challenge. Assistance has been sought from COGTA in this regard. The systems are as follows:
  - Hercules for the financial processing, including debtors and creditors;
  - VIP for payroll management;
  - Cash Focus to facilitates the payments;
  - BAUD system for fixed assets;
  - A supplier database.
- Procurement requisitions are numbered sequentially. This increases the effectiveness of the controls around procurement;
- A budget office was established.
- Reviewed the indirect taxes environment focused on VAT, PAYE, SDL, UIF.

## CORPORATE SERVICES

### Overview

The following are the functional areas and sections are located within the Department:

**Human Resources** – Coordination of sound Labour Relations, Recruitment, Staff Benefits, Employee Wellness, Organisational Development and Occupational Health and Safety.

**Corporate Support** – Coordination of secretariat support to Council and its Committees, Fleet Management, Record Management, Receptionist, General Assistants, Driver Messenger.

**Legal Services** - Fully outsourced

### Description of the activity

The strategic objectives of the Directorate are –

- Maintain the institutional capacity to implement the IDP and accompanying programmes

### The key performance issues, highlights and challenges for 2009/10 were:

- Thabo Mofutsanyana District Municipality Workplace Skills Plan (WSP) has been completed and submitted timeously to LGSETA in terms of the legislation. The Annual Training Report (ATR) was also been submitted simultaneously with the WSP.
- An annual skills audit, which is compulsory for both councillors and officials, was conducted. This process allows the institution to determine the level of skills and knowledge of the workforce and skills gaps and focus training and development accordingly. It has to be noted that the District training intervention that TMDM has embarked upon is based on the following criteria:-
  - *Training must be linked with job description.*
  - *Training must be NQF aligned.*
  - *Accumulation of credits that will lead to a qualification.*



- Thabo Mofutsanyana District Municipality did comply with this legislative imperative and has submitted the Employment Equity plan and report timeously to the Department of Labour.
- The Administration Division (Secretariat Services) was able to ensure that a total of eight (8) Council sittings including a Special Council sitting were convened.

## **LOCAL ECONOMIC DEVELOPMENT**

### **Overview**

The key performance areas and main activities of the department of Local Economic Development are:

- Industrial development
- Tourism development

### **Description of activity**

The strategic objectives of the department are to:

- To broaden the industrial base/capacity of the district
- To ensure that tourist attractions and facilities meet and maintain industry standards to promote tourism at a regional level

### **Key performance issues, highlights and challenges for 2009/10 were:**

- 2 business training courses were offered to emerging entrepreneurs in the District
- A District Development Agency was established with the assistance of the IDC
- **Tourism Development**
  - Assisted with the accreditation and grading of accommodation establishments.
  - Attended 5 tourism related shows, with the aim of marketing the District.
  - Printed marketing brochures for distribution at events and other municipalities.
  - Advertised the District in 3 highly rated tourism magazines.

# COMMUNITY SERVICES

## Overview

The overall mission of the department is to provide innovative services and programmes that will enhance the quality of life for Thabo Mofutsanyana Communities by promoting safety, health and wellbeing of these communities.

The key performance areas and main activities of the Department relate to:

- Sport and recreation
- Education
- Safety and security
- Disaster management
- Environmental management and care
- Health services
- Transport

## Description of the activity

The strategic objectives of the Department are to –

- To ensure that proper sport and recreational facilities are available to all communities
- To improve the level of education and skills of communities
- To ensure that Thabo Mofutsanyana is a crime-free area
- To ensure that proper contingency plans for disasters at local municipal and district level are in place
- To ensure that Thabo Mofutsanyana district area has a clean, green and healthy environment
- To develop, coordinate and implement a coordinated and coherent HIV/AIDS programme in line with National and Provincial imperatives
- To promote healthy and safe circumcision of initiates
- To ensure that a properly coordinated public transport exist in the district

**The key performance issues, highlights and challenges for 2009/10 were:**

- **FOOD SAFETY:** Milk samples were taken in all local municipal areas in collaboration with The Dairy Standard Agency. Monthly water sampling was done in all Local Municipalities. National Water week celebrations were arranged by all water service providers and Wilge River Forum. The year under review celebrations were held at Reitz area at a farm school during the Water Week
- **FOOD QUALITY MONITORING:** Tonnes of foodstuffs have been removed from shelves of businesses, especially wholesalers where food is stored or kept, handled or prepared either due to their unfitness for human consumption, contamination and deterioration caused by power outages or even damages from the manufacture.
- **HEALTH CERTIFICATES:** About 45 percent of all businesses in the district have been issued with Health Certificates of compliance and registered in health data base. These include the Food handling premises, manufacturing, storage facilities, food transportation vehicles, day care centres, catering establishments, and funeral Undertakers premises.
- **COMMUNICABLE DISEASES CONTROL:** Disease control response team has been established with EHP's and all relevant stakeholders in the District so that immediate action could be taken where any communicable disease incident happened.
- **ENVIRONMENTAL HEALTH CAMPAIGNS:** Health campaigns have been carried out in the District, i.e; local municipalities regarding training in food safety, informal food handling, initiation schools and involvement in Operation Hlasela programmes.
- **INITIATION SCHOOLS PROJECT:** 515 Initiation schools registered and monitored. Training on the Initian Schools Act took place in all Local Municipalities.
- **HIV/AIDS:** Sittings of the District Aids Council chaired by the Executive Mayor were scheduled on a quarterly basis. Dihlabeng, MAP, and SETSOTO have appointed coordinators to handle HIV/AIDS issues. The municipality and Department of Home Affairs had a campaign to assist orphans in schools with the acquisition of ID documents. HIV and Aids workshops were conducted in all locals on how to run HIV and Aids programmes up until June 2010.

- **HEALTH PLAN:** Reviewed by the District Health Council in 2009. Empowerment workshops were held Thabo Mofutsanyana District Municipality in 2009.
- **SPORT:** Municipalities got engaged in O.R. Tambo Games successfully. Organized institutional games for 2010 world cup.
- **DISASTER AND FIRE SERVICES:**
  - Maluti A Phofung Advisory Forum met on a monthly basis.
  - A district disaster management framework was done and adopted by council
  - District disaster management forum was established.
  - A structure to cater for disasters has been built in Phumelela and some equipment bought.
  - A Joint Operation Centre was successfully established during the disasters in 2009.
  - Road-shows were done in partnership with SAPS on public safety
  - Meetings on the public safety cluster are bi-monthly.

# INFRASTRUCTURE SERVICES

## Overview

This department includes the following key performance areas and main functions:

- Water provision
- Sanitation provision
- Electricity provision
- Roads and storm water

## Description of the activities

The strategic objectives of the department are to –

- To ensure that adequate water is available in order that all rural and urban communities have access to potable water, which is provided on at least RDP standards at affordable rates
- To provide an acceptable and affordable sanitation system for the entire region (VIP or waterborne)
- To ensure the overall planning and provision of streets and storm water systems for all municipalities within the region in phases over the next 5 years
- To have a uniform electricity distribution system throughout the region for both rural and urban areas to ensure equal access to electricity by all

## The key performance issues, highlights and challenges for 2009/10 were:

The completion of the following projects

- Marquard Road paving
- Phumelela Youth Centre
- District Fire Station
- Tshiame Sports Facility
- Memel Hall
- Makekeneng Foot Bridge
- Arlington Road Paving

## SERVICE DELIVERY BACKLOGS

### COMPREHENSIVE INFRASTRUCTURE PLAN

(SOURCE: CIP-TMDM-2009)

The Comprehensive Infrastructure Plan (CIP) has been formulated to enhance the preparation of the IDP and consolidates the information from a wide range of planning instruments (SDF, existing IDP, Master plans, Sector Plans, etc).

It summarises the data at ward level by exploring the unique needs of communities, and then formulate plans and projects for providing housing and infrastructure to service these needs. It therefore creates the basis for confirming the alignment of the different sector plans.

This serves as the first cycle of CIP to consolidate and report on infrastructure needs/backlogs, planned projects/initiatives, funding requirements and institutional challenges in terms of the following categories of information: Housing, Water, Sanitation and waste water and First order roads.

Later the CIP will be expanded to also address the following additional functions: Solid waste, Electricity, and Financial sustainability.

#### Housing

The status quo for housing is presented in the table below, which shows that a total of 98,236 households currently do not have sufficient housing. Projects identified to address the need have been listed in the table below. The total number of projects, as well as the number of houses per municipality and budgets per municipality is indicated in the table below.

#### Total Housing Needs and Budgets Required to Address Housing Needs

LM Name	Below RDP	No. of Houses	Total
Dihlabeng	13,005	13,005	R564
Maluti-a-Phofung	37,972		
Nketoana	7,463	7,463	R327
Phumelela	4,826	4,800	R210
Setsoto	34,970	34,970	R1,518
<b>Total</b>	<b>98,236</b>	<b>60,238</b>	<b>R2,619</b>

## Water

For municipalities to be able to provide water to a household, it is necessary to provide the necessary infrastructure to do so. This requires the following:

- Bulk supply of water from the main source to the municipality (regarded as 'External Bulk')
- Bulk supply lines inside the municipality (regarded as 'Internal Bulk')
- Treatment capacity to treat the water, and
- Reticulation networks to provide water to the end-consumer

The status quo for water reticulation is presented in the table below, which shows that a total of 26,773 households currently do not have sufficient access to water reticulation.

### Estimated Water Reticulation Needs (Thousands Households)

LM_Name	Households	Less than RDP
Dihlabeng	31,834	973
Maluti-a-Phofung	97,173	968
Nketoana	16,749	7,463
Phumelela	11,531	445
Setsoto	29,829	16,924
<b>Total</b>	<b>187,116</b>	<b>26,773</b>

The total estimated budgets to address reticulation, bulk, treatment and refurbishment are indicated in the table below. The total investment required is R903 million. The bulk budget is the largest portion of the total budget.

### Total Water Investment Needs (R mill)

LM/DM Name	Water Needs	Refurbishment	Bulk	Water Treatment Works	Total
Setsoto	R139.88	R54.43	R57.31	R57.31	R308.92
Dihlabeng	R37.80	R17.40	R306.10	R12.00	R373.30
Nketoana	R29.85	R80.85	R30.16	R37.40	R178.26
Maluti-a-Phofung	R0.00	R0.00	R0.00	R0.00	R0.00
Phumelela	R15.93	R17.00	R5.00	R5.00	R42.93
<b>Total</b>	<b>R223.46</b>	<b>R169.67</b>	<b>R398.57</b>	<b>R111.71</b>	<b>R903.40</b>



## Sanitation

Sanitation service could either be provided as on-site sanitation (VIP's, etc) or water borne sanitation. The prior solution obviously requires far less water, and therefore is considered in all areas where water provision is a challenge. In those communities where water borne sanitation is provided, it is therefore also necessary to provide the following:

- Reticulation networks from the houses
- Bulk outfall sewers draining the areas
- Waste water treatment works to treat the water before release back into rivers

The table below shows that a total of 94,601 households currently have below RDP levels of service.

### Estimated Sanitation needs per Municipality (Thousands Households)

LM_Name	Households	Less than RDP
Dihlabeng	31,834	6,800
Maluti-a-Phofung	97,173	58,653
Nketoana	16,749	11,403
Phumelela	11,531	1,989
Setsoto	29,829	15,756
<b>Total</b>	<b>187,116</b>	<b>94,601</b>

### Total Sanitation Budget (R mill)

LM_Name	Retic	Refurbishment	Bulk	Waste Water Treatment Works	Total
Setsoto	R349.70	R36.05	R30.99	R83.39	R500.12
Dihlabeng	R49.95	R27.15	R11.96	R34.10	R123.16
Nketoana	R74.81	R14.93	R6.00	R24.80	R120.54
Maluti-a- Phofung	R0.00	R0.00	R0.00	R0.00	R0.00
Phumelela	R56.87	R21.50	R27.70	R27.70	R133.77
<b>Total</b>	<b>R531.34</b>	<b>R99.63</b>	<b>R76.64</b>	<b>R169.98</b>	<b>R877.59</b>

The total estimated budgets for sanitation needs, refurbishment, bulk, and bulk infrastructure are indicated in the table above. The total investment requirement is R878 million. The total sanitation needs is 61% of the total budget, namely R531 million.

## Roads

The status quo for roads and total estimated budgets are presented in the table below.

### Estimated Roads needs per Municipality

LM_Name	Length (Km)	Budget (mill)
Dihlabeng	4	R90.6
Maluti-a-Phofung		
Nketoana	119	R27.3
Phumelela	207	R38.5
Setsoto	560	R101.8
<b>Total</b>	<b>890</b>	<b>R258.2</b>

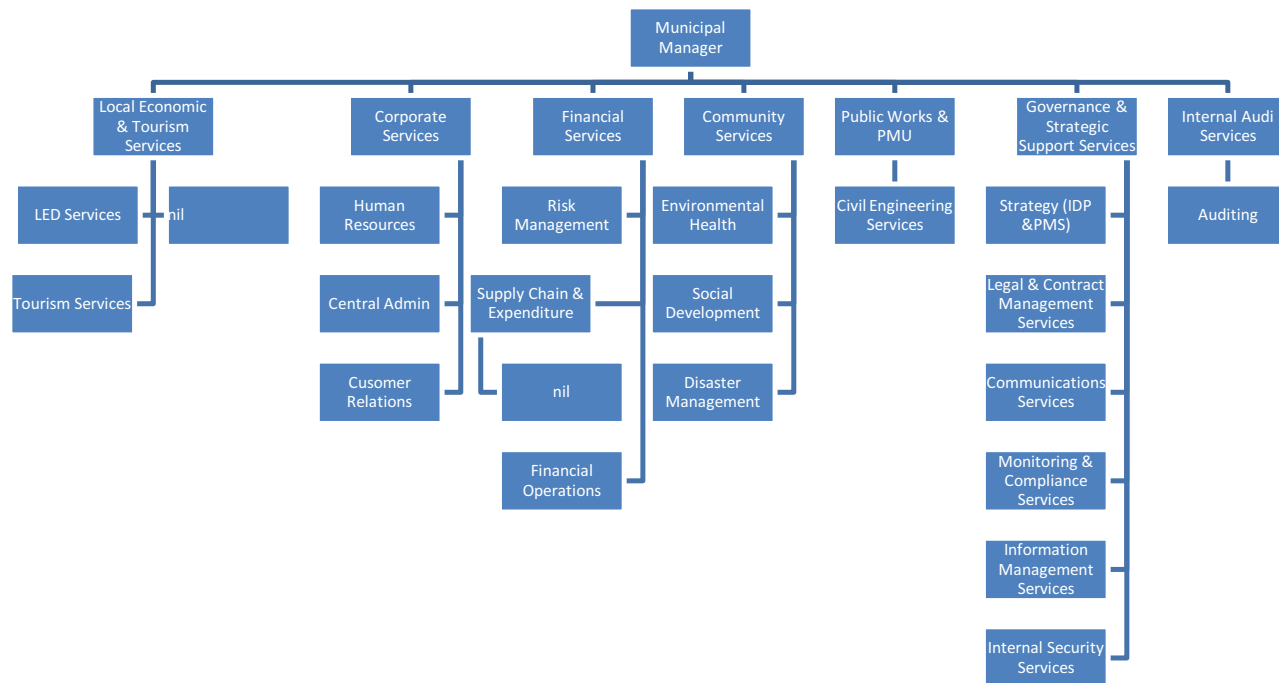
## **APPROVAL OF ZONING AND BUILDING PLAN APPLICATIONS**

All building plans and zoning applications are processed by the local municipalities.

## Part Three

### Human Resources and Organisational Management

#### ORGANISATIONAL STRUCTURE



#### Development of MACRO Organogram

Proper consultation was done with management and labour movement and such the organogram was duly approved by Council that was held on 13<sup>th</sup> December 2009.

The organogram was done and reviewed to ensure that:

- All staff is incorporated in the new structure.
- To place staff in suitable positions where their level of competency would be achieved optimally in terms of their academic qualifications and skills required while in the employ of the Council.

## STAFF ESTABLISHMENT

### Number of Employees per level and Cost to Employer

Number of Persons	Level	Female	Male	No of Vacant Positions	Total Cost to Employer
1	Municipal Manager	0	1	1 MM resigned in October 2009	R804 000.00
1	Executive Managers	1 1- Acting	0	4 3 acting-1 CFO-female since May 2010	R1,716 000.00
5	Managers and Assistant Managers	1	4	3	R1,146 000.00
54	Other Staff				R11,018 000.00

### Recruitment and Appointments

6 Critical posts were advertised in terms of the approved turnaround strategy of Thabo Mofutsanyana District Municipality.

- The closing date was 28 December 2009 for the post of the Municipal Manager.
- The closing date of Section 57 posts was 22 January 2010
  - Chief Financial Officer
  - Strategic Manager – Economic Development
  - Strategic Manager – Corporate Services
  - Strategic Manager – Development Planning
  - Manager – Legal Services.

Contract of Employment for the Municipal Manager was signed. The appointment was done in line with Section 57 of the Municipal System Act of 2000.

### Appointments and Resignations.

#### Appointments

#### Officials

3 appointments were made during the year under review.

- **Municipal Manager:** was appointed subsequent, to the resignation of the Municipal Manager. The incumbent municipal manager has signed both employment and performance management contracts.
- **The Community Participation Officer:** was appointed based on the TMDM MTAS report.
- **Public Liaison Officer:** was appointment based on the newly established Presidential hotline which was later was launched in the province.

### **Councillors**

Three Councilors have been deployed after resignation of Three Councilors.

### **Resignations**

For the period under review the Council has lost 5 Officials and 1 Councilor.

### **Acting Appointments**

- Acting Chief Financial Officer
- Acting Executive Manager Corporate Services
- Acting Executive Manager Development Planning
- Acting Executive Manager Economic Development
- Acting Skills Development Officer
- Acting Internal Auditor.

## EMPLOYMENT EQUITY STATISTICS

Thabo Mofutsanyana District Municipality did comply with this legislative imperative and has submitted the Employment Equity plan and report timeously to the Department of Labour.

### *Workforce profile as at 30 June 2009*

Occupational category	Male				Female			Total	
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	4				8				12
Professionals	6			6	2				14
Technicians and associate professionals	1								1
Clerks	12	1			32				45
Service and sales workers					2				2
Skilled agricultural and fishery workers									
Craft and related trade workers									
Plant and machine operators and assemblers									
Elementary occupations									
<b>TOTAL</b>	<b>23</b>	<b>1</b>		<b>6</b>	<b>44</b>				<b>74</b>

### *Workforce profile as at 30 June 2010*

Occupational category	Male				Female			Total	
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	3				8				11
Professionals	5			6	2				13
Technicians and associate professionals	1								1
Clerks	10				26				36
Service and sales workers					2				2
Skilled agricultural and fishery workers									
Craft and related trade workers									
Plant and machine operators and assemblers									
Elementary occupations									
<b>TOTAL</b>	<b>19</b>			<b>6</b>	<b>38</b>				<b>63</b>

A = African  
C = Coloured  
I = Indian  
W = White

Note: The above totals include part-time and non-permanent staff.

## SKILLS DEVELOPMENT PROGRAMMES

Thabo Mofutsanyana District Municipality Workplace Skills Plan (WSP) has been completed and submitted timeously to LGSETA in terms of the Legislation. The Annual Training Report (ATR) has also been submitted simultaneously with the WSP.

Arrangements were made with LGSETA to conduct a district wide training as an initiative of the District. LGSETA conducted the workshop upon the request of the district.

All outstanding amounts for skills development levies have been paid.

The table below illustrates organisational capacity building and skills development undergone by the Employees of TMDM as part of the WSP.

INTERVENTION	NAME	AMOUNT
VIP PAYROLL TRAINING	<ul style="list-style-type: none"> <li>Lerato Seekane</li> <li>Mathapelo Suping</li> <li>Thandi Radebe</li> </ul>	R 11 799.00
CPI EXTERNAL PAYMENTS	<ul style="list-style-type: none"> <li>Lerato Seekane</li> <li>Mathepelo Suping</li> </ul>	R 8 800.00
LOCAL GOVERNMENT ACCOUNTING CERTIFICATE	<ul style="list-style-type: none"> <li>Me Phetheni Tshabalala</li> <li>Me Nfaladi Mazibuko</li> <li>Me Palesa Nakeli</li> </ul>	LGSETA FUNDED (Municipalaty paid for travelling )
EXECUTIVE LEADERSHIP MUNICIPAL DEVELOPMENT PROGRAMME (ELMDP)	<ul style="list-style-type: none"> <li>Cllr.C Makhoba</li> <li>Cllr M Nthedi</li> <li>Cllr W Ndlebe</li> <li>Cllr D Lengoabala</li> <li>Cllr M Tshabalala</li> </ul>	LGSETA FUNDED (Municipality paid for travelling and accomodation)
CERTIFICATE PROGRMME MANAGEMENT DEVELOPMENT IN MUNICIPAL FINANCE (CPMD)	<ul style="list-style-type: none"> <li>Cllr L Lemako</li> <li>Cllr A Taylor</li> <li>Cllr M Tshabalala</li> </ul>	LGSETA FUNDED (Municipality paid for travelling and accomodation)



## PERSONNEL EXPENDITURE TRENDS

Financial year	R'000 (Audited actual)	% of total expenditure
2008/09	29 852	25,6%
2009/10	31 771	39,5%

Employee-related costs as a percentage of total expenditure showed an increase from 25,6% in 2009 to 39,5% in 2010.

## PENSION AND MEDICAL AID FUNDS

### Pension and provident funds

Name of fund	No. of members	
	30 June 2009	30 June 2010
Vrystaat Pensioen Fonds	5	4
Free State Provident Fund	33	31
SALA Pension fund	1	1
SAMWU Provident fund	8	7
Pension Funds For Councillors	17	20
LGPF	8	9
<b>TOTAL</b>	<b>72</b>	<b>72</b>

The municipality's actual expenditure for the 2008/09 financial year in respect of employer's contribution amounted to R2 513 591, and for the 2009/10 year amounted to R2 300 273.

### Medical aid funds

Name of fund	No. of members	
	30 June 2009	30 June 2010
MUNIMED	19	18
BONITAS	20	20
L A HEALTH	9	10
SAMWUMED	2	1
HOSMED	7	8
<b>TOTAL</b>	<b>57</b>	<b>57</b>

The municipality's actual expenditure for the 2008/09 financial year in respect of employer's contributions amounted to R1 563 296 and for 2009/10 amounted to R1 465 969.

As from the 1<sup>st</sup> January 2009 municipalities were cautioned not to contribute any subsidy to any other Medical Aid except the ones mentioned below.

- ◆ Hosmed Medical Scheme
- ◆ LA Health Medical Scheme
- ◆ SAMWU Medical Scheme
- ◆ Bonitas Medical Scheme
- ◆ Keyhealth Medical Scheme

Employees not belonging to any scheme mentioned above were requested to transfer to any of the accredited Medical Aid Schemes.

## SALARY DISCLOSURES

(as per notes 18 and 19 to the Annual Financial Statements)

### Councillors Actual (Remuneration of Public Office Bearers Act)

	2009 R	2010 R
Executive Mayor	457 155	619 936
Speaker	422 159	479 858
Chief Whip	419 915	447 937
Mayoral Committee Members (9)	3 139 072	3 621 728
Councillors (40)	1 111 326	1 409 519
Councillors' pension contributions	Included in total	
Councillors' medical contributions	municipality's	
Telephone allowances	contribution	
Travelling allowances	See notes below	
	<b>5 549 627</b>	<b>6 578 978</b>

#### Note:

Councillors receive a travelling allowance equal to 25% of total annual remuneration. The municipality contributes 15% of basic salaries to the pension fund, whilst councillors receive a monthly medical aid allowance of R1 440.

### Senior Management (Section 57 employees)

Designation	Remuneration package per annum 2009 R	Remuneration package per annum 2010 R
Municipal Manager	835 645	279 352
Chief Financial Officer	603 597	162 542
Executive Manager: Corporate Services	601 222	29 124
Executive Manager: Community Services	605 435	570 340
Executive Manager: Economic Development	626 958	429 538
Executive Manager: Technical Services	Acting as LED manger	Acting as LED manger

**Note:**

The Municipal Manager (MP Moloi) terminated his services on 30 September 2009.

The Chief Financial Officer (MR Mpakane) terminated his services on 31 October 2009.

## **Other relevant HR and organisational management information**

### **Placement policy**

The policy was developed to ensure that all staff is incorporated in the structure and to place staff in suitable positions.

### **Establishment of Placement Committee**

A placement committee with equal representation from both parties was established to comply with the provisos of the placement policy.

### **Establishment of Appeals Committee**

The Appeal Committee was established in line with the contents of the policy and shall consist of an independent arbitrator. CoGTA to provide arbitration services.

### **Occupational Health and Safety**

Communiqué was circulated requesting each department to nominate one official to form part of health and safety committee for the Municipality as it is required by *Occupational health and Safety Act no.85 of 1993*.

## **Policies**

### **Draft Credit Card Policy**

Credit Card policy was developed to allow Council to transact its business in more efficient manner.

### ***HR Policy***

The contents of the HR policy Manual were implemented with special reference to **Section 8.11** Rental Allowance which stipulates among others that *“An employee Appointed permanent who has successfully completed probation may qualify for rental allowance to a maximum of R300.00. Written proof by way of rental agreement or affidavit of the person from whom the residence is rented”*.

## **EMPLOYEE ASSISTANCE PROGRAMME (EAP)**

The EAP is striving to effect changes in knowledge, attitude, lifestyle, behavior and the environment leading to prevention, risk reduction and early detection of any adverse wellbeing challenges that may affect the organisation's employees.

Observations revealed that there was an increase in garnishees against the employee on a monthly basis, as well as a lack of knowledge of implications of the National Credit Act. Subsequently Financial Management training intervention was conducted in order to mitigate the negative impact on employees' performance by the above mentioned factor .

## **LABOUR RELATIONS**

### **Local Labour Forum**

Local Labour Forum (LLF) comprised of management and recognized labour has been resuscitated, specifically to handle all matters that relate to the employer-employee workplace relationships.

### **Discipline in the Workplace**

For the financial year 2009/10, the following labour relation matters were dispensed with:

- 1 Disciplinary Case which led to a suspension of an official

## **COUNCIL MATTERS**

The Secretariat Services section under Corporate Services provides a procedural and administrative support services to Council and its committee. Council which is the Local Legislature has both the legislative and executive powers and is responsible for accountability and oversight. TMDM Council has forty Councillors (40) and has convened ordinary Council meetings and special Council meetings under the stewardship of the Speaker, Clr. Malewatle Ntheli.

The Council is constituted by the following political party representatives:

- Thirty three (33) Councillors from the African National Congress (ANC),
- Four (4) Councilors from the Democratic Alliance (DA)
- Two (2) Councillors Dikwankwetla Party of South Africa and
- One (1) Councillor from the Pan Africanist Congress (PAC).

## COUNCILLORS ATTENDANCE TO COUNCIL MEETINGS 2009/10

COUNCILORS	17/09/09	23/10/09	06/11/09	14/12/09	18/02/10	08/04/10	13/05/10	TOTAL
1. M.NTHEDI	✓	✓	☑	✓	✓	✓	✓	6/7
2. P.MOPELI	✓	✓	✓	✓	✓	✓	✓	7/7
3. P.MOTSOENENG	✓	✓	✓	✓	✓	✓	✓	7/7
4.C.J MAKHOB	✓	✓	✓	✓	✓	✓	✓	6/7
5.P.D LENGABALA	✓	✓	✓	✓	✓	✓	✓	7/7
6.M.S MOLELEKI	✓	☑	✓	✓	✓	✓	✓	7/7
7.N.M MOSUPA	✓	✓	☑	✓	✓	✓	✓	6/7
8.W.R NDLEBE	✓	✓	✓	✓	✓	✓	✓	7/7
9.N.MOPELI	✓	✓	✓	✓	✓	✓	✓	7/7
10.M.J TSHABALALA	✓	✓	☑	☑	✓	✓	✓	5/7
11.L.J LEMAKO	✓	✓	✓	✓	✓	✓	✓	7/7
12.N.A TAYLOR	✓	✓	☑	✓	✓	✓	✗	5/7
13.Z.A TSHABALALA	➤	➤	➤	➤	✓	✓	✓	3/3
14.C.H.E BADENHORST	✓	✓	☑	☑	✓	✓	✓	5/7
15.P.Z MOSHOADIBA	✓	✓	✓	✓	✓	✓	✓	7/7
16.T.J TSOTETSI	✓	✓	☑	✓	✗	✓	✓	5/7
17.E.Z RADEBE	✓	✓	✓	✓	✓	✓	✓	7/7
18.A.C MSIBI	✓	✓	☑	✓	☑	✓	✓	5/7
19.B.E MZANGWA	✓	✓	✗	✗	✓	✓	✓	5/7
20.K.M SEHLAKO	✓	✓	✓	✓	✓	✓	✓	7/7
21.K.S SEHLOHO	✓	✓	✓	✓	✓	✓	✓	7/7
22.A.M NHLAPO	✓	✓	✓	✓	☑	✓	✓	6/7
23.M.V NORMAN	✓	✓	✓	✓	✓	✓	✓	7/7
24.M.E TOLOFI	✓	✓	✓	✓	☑	✓	✓	6/7
25.M.L MOHLABI	✓	✓	✓	✓	☑	✓	✓	6/7
26.A RAMOCHELA	✓	☑	✓	✓	✓	✓	✓	6/7
27.MJ LEBESA	✓	☑	✓	✗	✗	✓	✓	4/7
28.L.M KLEYNHANS	✓	✓	☑	✓	✓	✓	✓	6/7
29.M.K MOFOKENG	✓	✓	✗	✗	✓	✓	✓	5/7
30.B.D.L VENTER	✓	✓	✓	✓	✓	✓	✓	7/7
31.W.H COETZER	✓	☑	✓	✓	✗	✓	✓	5/7
32.M.L SEFUTHI	✓	☑	✓	✓	☑	✓	✓	5/7
33.MOKHUOANE	✓	✓	✗	✗	✗	✓	✓	4/7
34.L.A MOLOI	✓	✓	✓	✓	✓	✓	✓	7/7
35.A FUME	✓	☑	☑	☑	✓	☑	✓	3/7
36.B.D MADONSELA	✓	✓	☑	☑	✓	✓	✗	4/7
37.S.E TSHABALALA	✓	✓	☑	✓	✓	✓	✓	6/7
38.J.M KOMAKO	➤	➤	➤	➤	✓	✓	✓	3/3
39.P.MAVUNDLA	➤	➤	➤	➤	✓	✓	✓	3/3

- ✓ = SIGNIFY MEETING ATTENDED
- ☑ = SIGNIFY APPLICATION FOR LEAVE OF ABSENCE
- ✗ = SIGNIFY MEETING NOT ATTENDED
- ¥ = SIGNIFY NO LONGER WITH TMDM
- = SIGNIFY NOT YET APPOINTED TO THE DISTRICT

## **Mayoral Committee**

The Mayoral Committee consists of nine (9) members and 1 Full time Chief Whip, these are Councilors appointed by the Executive Mayor to perform functions for which the Mayor is responsible. All members of the Mayoral Committee were allocated portfolios as per the functions of the municipality. The Mayoral Committee under the stewardship of the Executive Mayor Mofumahadi Mathokoana Mopeli held **six (6)** meetings in the year under review.

## **Section 80 Committees**

Councillors serving on Section 80 Committees are from political parties represented in the Council. The number of Councilors in Section 80 Committees varies from Five (5) to Four (4) Councilors. Each Section 80 Committee is chaired by a Member of the Mayoral Committee (MMC).

These are committees of the Mayoral Committee. There are eight (8) Section 80 Committees namely:

- Corporate Services
- Finance
- Public Safety, Transport and Disaster Management
- Health & Social Development; (Sports, Recreation, Arts, Culture & Heritage
- Infrastructure
- Land Use and Agriculture
- Governance and Planning
- Economic Development



## **PART FOUR**

### **AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION**

# **Report of the Chief Financial Officer**

## **INTRODUCTION**

The Budget and Treasury Office is responsible for compiling and preparing the financial statements that fairly present the state of affairs of the municipality. In this regard the municipality aspires to be a leading municipality and thereby ensuring that it continues with sustainable service delivery while remaining financially viable. The 2009/2010 financial year results are in part the outcome of its early pursuit of the reforms.

## **KEY PERFORMANCE AREAS**

- Administer financial management support services
- Manage Council's income policies and procedures
- Manage Council's expenditure policies and procedures
- Ensure compliance to the MFMA
- Render support to local municipality with specific reference to Revenue Enhancement Support

## **CURRENT YEAR**

The Budget and Treasury Office strives towards a long-term relationship with local municipality and other government department by providing high-level service within the municipality and its customers. In doing so, it is required of its staff members to act professionally, honestly and with integrity when discharging their duties.

- The management team maintains an active role in projects and administration, enabling swift decisions and a higher commitment to service delivery.
- The office conducts itself in compliance with the Municipal Finance Management Act and other relevant pieces of legislations.

## **THE YEAR AHEAD**

In the coming financial year, it is anticipated that the financial operations will be improved to better the audit report to eliminate other matters of emphasis as it has been highlighted in the current year audit report.

This would be achieved through:

- Capacitating the CFO's office with skilled personnel;
- Introduction of a new accounting system; and
- Streamlining the operations of the Municipality to improve efficiency.

## INTERNAL CONTROLS

It is management responsibility to maintain proper system of internal controls to ensure that the assets of the municipality are safeguarded.

## ETHICAL ISSUES

The municipality has a code of conduct for its councillors and employees. The code ensures that councillors and officials maintain the highest ethical standards and practices when supporting other local municipality.

## FINANCIAL PERFORMANCE

### Audited Statements and Related Financial Information

<b>Financial and Operational Statistics</b>		
<b>Year ended 30<sup>th</sup> June 2010</b>	<b>2010</b>	<b>2009</b>
<i>Details</i>	<i>R'000</i>	<i>R'000</i>
Sundry receivables	2 126	1 431
VAT Receivable	11 125	5 716
Cash and cash equivalents	10 930	17 562
Finance lease obligation	675	669
Trade and other payables	40 015	17 843
Unspent conditional grant	3 993	18 724
<i>Total Operating Revenue</i>	<i>73 388</i>	<i>68 399</i>
<i>Total Operating Expenditure</i>	<i>80 093</i>	<i>117 648</i>
<b>Operating deficit</b>	<b>6 724</b>	<b>49 249</b>

## FINANCIAL STATUS

### Revenue and expenditure overview

In terms of its revenue base Thabo Mofutsanyana District Municipality is currently the second smallest category C municipality within the Free State. It recorded an income of R 73 388 million in 2010 and R 68 399 million in 2009, an increase of 7.2% from the previous year.

Revenue sources of Thabo Mofutsanyana District Municipality are similar to most district municipalities and comprise primarily income from government grants and returns on investment.

The operating expenditure for 2010 of Thabo Mofutsanyana District Municipality is largely inflexible and requires sound budgeting and discipline to keep costs within budget. Most of the expenditure items were slightly above the budget.

The following table reflects a breakdown of the operating expenses of the municipality:

<b>Thabo Mofutsanyana District Municipality's Expenditure Type</b>		
<b>Year ended 30<sup>th</sup> June 2010</b>	<b>2010</b>	<b>2009</b>
Details	R'000	R'000
Employee Costs	31 798	29 865
General expenditure	45 711	73 330
Repairs and Maintenance	1 293	70
Finance cost	963	310
Debt impairment	328	14 071

Municipal services are labour intensive and staff remuneration normally constitutes a larger proportion of the municipality's expense budget. The staff-to-income ratio of Thabo Mofutsanyana District Municipality is at almost 40% reflects an increase from the 25% in 2009, the remuneration cost is in reality way above the norm of 35%. Councillors' costs comprise a minor portion of total expenditure.

Maintenance expenditure on existing assets is a very crucial expense item and is sometimes given less priority than other items. The deferment of maintenance is common practice among municipalities. While the deferment of maintenance expenditure has short-term cash flow benefits, it has adverse long-term effects on operating costs and the sustainability of quality service delivery.

Thabo Mofutsanyana District Municipality external maintenance costs comprise 1.6% of total expenses (0.06% - 2009). These ratios have increased from the previous year and management remains concerned that the maintenance is not at the optimum level.

The municipality has recorded an operating loss in 2010 of R6,724 million a huge decrease as to compare to the loss that was realised in 2009 of R49,248 million. The operating budget indicates moderate increases for the next three years.

### **Liquidity management**

The municipality did not have active cash management system in operation to control this crucial aspect of its finance.

### **Capital analysis**

The pressure on capital expenditure with specific reference to bulk services is expected to remain high over the long-term, this is due to the withdrawals of Municipal Infrastructure Grant by the National Department of Cooperative Governance and Traditional Affairs.

## **CONCLUSION**

The municipality overall financial management operation need to improve to be able to deal with the demands for improved service delivery in assistance to local municipalities and other legislative mandate imposed on municipality by the Constitution.

## **EXPRESSION OF APPRECIATION**

My sincere appreciation to Her Worship The Executive Mayor – Cllr. Mofumahadi Mopedi, Members of Mayoral Committee, Councillors, the Municipal Manager and Departmental Heads and their staff including local representative of the Office of the Auditor General and the auditors appointed by him for the support given to me.

I wish to convey a special word of appreciation to the staff responsible for compiling the financial statements for their dedication and hard work, as well as to all the staff in the Budget and Treasury Office for their full support and dedication in all the operations of the Directorate.

Thank you,

**MS E N MTIMKULU**  
**ACTING CHIEF FINANCIAL OFFICER**

## **Report of the Audit Committee**

The Audit Committee is pleased to present the report for the financial year ended 30 June 2010 as recommended by the Municipal Finance Management Act No.56 of 2003.

### **1. Audit Committee Members and Attendance**

The Audit Committee consists of the members listed hereunder and meets at least four times a year or more when the need arise. During the year under review the Audit Committee was not functional and the present committee was appointed on 29 June 2010.

Names of the Members

Mr. Ernest Mohlahlo (Chairperson)

Ms. Selina Lebeko

Ms. Lesebo Sefako

Mr. Kguta Ntsala

### **2. Evaluation of Financial Statements**

The Audit Committee has reviewed and discussed the Auditor General's Management Letter and the Audit report with the Management and the Internal Audit.

The Audit Committee concurs and accepts the conclusion of the Auditor General on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor General.

**MR E MOHLAHLLO**  
**CHAIRPERSON**

## Action plan on issues raised by the Auditor-General

In terms of section 131(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), a municipality must address issues raised by the Auditor-General in an audit report. The management comments addressing the issues raised in the Report of the Auditor-General on the Financial Statements for the year ended 30 June 2010 are indicated below.

No.	FOCUS AREA / MATTER RAISED	ACTION / TASK PERFORMED	STATUS / PROGRESS	Person responsible Official
8	As disclosed in note 24 to the financial statements, the municipality is the defendant in a levy rate dispute. As the results the bad debts amounting to R49,079,862 has been provided.	The task to be performed is pending the outcome of the Appeals Court decision, should the court rule in favour of the municipality the R49 million will be reversed and recognised under current assets. If, the court ruled against the municipality, Council will be advised to write-off the R49 million as it has been provided in the bad debts.	Awaiting Appeals Court Ruling	Municipal Manager and Chief Financial officer
9	Restatement of corresponding figures	Due to the implementation of the new accounting standard GRAP/GAMAP Reporting Framework, accounting policies had to be changed, since, this was the first time adoption and comparative figures had to be aligned to the new reporting format	Reconciliation are performed on monthly basis and reviewed to eliminate errors and/or mis-statement.	Municipal Manager and Chief Financial Officer
10	Unauthorised Expenditure - As disclosed in note 30 to the financial statements, unauthorised expenditure to the amount of R23,833,069 was incurred as the budget amount per vote was exceeded.	An item has been prepared to serve in Council. This item will serve as a request to Council to condone all unauthorised expenditure to the total value of R23,833,069.	Budget line items per department are reviewed on weekly basis to identify any possible overspending and managers are advice to fill in the budget transfer / virement with a motivation to the Municipal Manager for approval.	Municipal Manager, Chief Financial Officer and Manager Finance Operation



No.	FOCUS AREA / MATTER RAISED	ACTION / TASK PERFORMED	STATUS / PROGRESS	Person responsible Official
11	Fruitless and Wasteful Expenditure - As disclosed in note 31 to the financial statements, fruitless and wasteful expenditure to the amount of R1,091,526. This was due to penalties, interest and overpayment to Councillors Allowance	Interest and penalties was paid due to none-submission of PAYE and SDL for a period exceeding 12 month, management will investigate the route course for none-submission of PAYE and SDL and take reasonable steps. Overpayment on Councillors Allowance has been investigated and finalised.	Letters has been issued from Office of the Municipal Manager to all Councillors that owes the municipality to make arrangement for settlement of their debt.	Municipal Manager and Chief Financial officer
12	Irregular Expenditure - As disclosed in note 32 to the financial statements, irregular expenditure to the amount of R86,109,715 was incurred as proper tender processes were not followed and there were other non-compliance issues with regard to the Supply Chain Management Policy.	All SCM process has been reviewed and procedure manual has been developed in line with the SCM Policy of the Municipality. Expenditure transaction has also been reviewed for signatory compliance.	Monthly SCM Report has been submitted to the Municipal Manager and Executive Mayors Offices on all reportable matters that did not comply with SCM Policy, this was done to eliminate SCM irregularities and in compliance with FS Treasury - Regulation No. 14.	Municipal Manager, Chief Financial Officer, Supply Chain Manager, and Manager Finance Operation

## **Report of the Auditor-General**

**Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Thabo Mofutsanyana District Municipality for the year ended 30 June 2010**



**A U D I T O R - G E N E R A L  
S O U T H   A F R I C A**

*Auditing to build public confidence*

# AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THABO MOFUTSANYANA DISTRICT MUNICIPALITY

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the accompanying financial statements of the Thabo Mofutsanyana District Municipality, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages XX to XX.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Thabo Mofutsanyana District Municipality as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the MFMA.

**Emphasis of matter**

I draw attention to the matters below. My opinion is not modified in respect of these matters.

**Significant uncertainties**

8. As disclosed in note 24 to the financial statements, the municipality is the defendant in a levy rate dispute. The municipality has appealed against the first ruling, which was in favour of the levy payers. The final outcome of the matter cannot presently be determined and the receivables from non-exchange transactions amounting to R49 079 862, as disclosed in note 7 to the financial statements, have been impaired as bad debts.

**Restatement of corresponding figures**

9. As disclosed in note 26 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of errors discovered and changes in accounting policies during the 2009-10 financial year in the financial statements of the Thabo Mofutsanyana District Municipality at, and for the year ended, 30 June 2009.

**Unauthorised expenditure**

10. As disclosed in note 30 to the financial statements, unauthorised expenditure to the amount of R23 833 069 was incurred as the budget amount per vote was exceeded.

**Fruitless and wasteful expenditure**

11. As disclosed in note 31 to the financial statements, fruitless and wasteful expenditure to the amount of R1 091 526 was incurred. This was due to penalties, interest and overpayments made on the purchase of assets.

**Irregular expenditure**

12. As disclosed in note 32 to the financial statements, irregular expenditure to the amount of R86 109 715 was incurred as proper tender processes were not followed and there were other non-compliance issues with regard to the supply chain management (SCM) policy.

**Going concern**

13. As disclosed in note 28 of the financial statements, the ability of the municipality to continue as

a going concern is dependent on a number of factors, including the need to obtain funding on a continuous basis.

#### **Additional matter**

I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### **Unaudited supplementary schedules**

14. The supplementary information set out on pages )0( to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

15. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations (MFMA, Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA)) and financial management (internal control).

#### **Predetermined objectives**

16. Material findings on the report on predetermined objectives, as set out on pages XX to XX, are reported below:

#### **Non-compliance with regulatory and reporting requirements**

##### **Existence and functioning of a performance audit committee**

17. The municipality did not appoint nor budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations.

##### **Internal auditing of performance measurements**

18. The internal auditors of the municipality did not audit the performance measurements on a continuous basis nor did they submit quarterly reports to the municipal manager and a performance audit committee.

##### **Lack of adoption of a performance management system**

19. The municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, and the roles of the different role players, as required in terms of sections 36, 38, and 41(2) of the MSA, and regulations 7 and 8 of the Municipal Planning and Performance Management Regulations.

## **Inadequate content of the Integrated Development Plan**

20. The municipality's Integrated Development Plan (IDP) did not include the key performance indicators and performance targets determined by its performance management system, as required by section 26(i) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations.

### **Usefulness of information**

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved IDP, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable and time bound?

The following audit finding relates to the above criteria:

### **Performance targets neither measurable nor specific**

21. Measurable and specific targets were not set in the IDP, as required by section 41(1)(b) of the MSA.

### **Reliability of information**

The following criteria were used to assess the reliability of the planned and reported performance:

- Validity: Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
- Accuracy: Have the amounts, numbers and other data relating to reported actual performance been recorded and reported appropriately?
- Completeness: Have all actual results and events that should have been recorded been included in the reported performance information?

The following audit finding relates to the above criteria:

### **No supporting source documentation**

22. Sufficient appropriate audit evidence in respect of any of the selected programmes could not be obtained to perform satisfactory audit procedures. I could therefore not obtain the required assurance as to the validity, accuracy and completeness of the reported performance information.

## **Compliance with laws and regulations**

### **Municipal Finance Management Act**

#### **The internal audit unit was not properly established**

23. Contrary to the requirements of section 165(1) of the MFMA, a functioning internal audit department was not in place for the year under review.

#### **The audit committee was not properly established**

24. Contrary to the requirements of section 166(1) of the MFMA, the municipality did not have an audit committee in operation throughout the financial year.

#### **The accounting officer did not adhere to his/her statutory responsibilities**

25. Contrary to the requirements of section 71 of the MFMA, not all the required information was included in the monthly reports submitted to the mayor and provincial treasury.
26. Contrary to the requirements of section 73 of the MFMA, the provincial treasury was not informed in writing of the failure in implementing the supply chain management and budget-related policies.
27. Contrary to the requirements of section 69(3) of the MFMA, the service delivery and budget implementation plan was not submitted to the mayor within the required time frame. Performance agreements could also not be obtained for audit purposes.
28. Contrary to the requirements of section 62(1)(c)(i) of the MFMA, risk management policy and procedures did not exist and a risk assessment was not performed during the year under review. No fraud prevention plan existed.

#### **Payments were not made within the parameters set by the applicable legislation**

29. Contrary to the requirements of section 65(2) of the MFMA, payments were not in all instances made within 30 days of receiving invoices.

#### **Expenditure was incurred otherwise than in accordance with section 15 of the MFMA resulting in unauthorised expenditure**

30. Actual expenditure for the year under review exceeded the approved budget for several votes resulting in unauthorised expenditure in terms of section 15 of the MFMA.

#### **Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure**

31. Expenditure was incurred which was not in accordance with the municipality's supply chain management policy resulting in irregular expenditure as defined in section 1 of the MFMA.

**Expenditure incurred was made in vain or could have been avoided resulting in fruitless and wasteful expenditure**

32. Expenditure was incurred which could have been avoided had reasonable care been exercised resulting in fruitless and wasteful expenditure, as defined in section 1 of the MFMA.

**Supply chain management legislative requirements were not implemented or not adhered to**

33. Contrary to the requirements of section 116(2)(b) of the MFMA, the performance of contractors was not monitored on a monthly basis.

**Municipal Systems Act**

**The accounting officer did not adhere to his/her statutory responsibilities**

34. Contrary to the requirements of sections 53(1) and 66(1)(b) of the MSA, the municipality did not have appropriate job/task descriptions for each political structure, each political office bearer of the municipality or for the municipal manager.
35. Contrary to the requirements of section 42 of the MSA, the municipality did not give the community the opportunity to participate in setting appropriate key performance indicators and performance targets for the municipality.

**Supply chain management legislative requirements were not implemented or not adhered to**

36. Contrary to the requirements of schedule 1, paragraph 5 of the MSA, not all councillors had disclosed their personal and business interests.

**Supply chain management regulations**

**Supply chain management legislative requirements were not implemented or not adhered to**

37. Contrary to the requirements of regulation 3(1)(a) of the SCM Regulations, an annual review was not conducted on the implementation of the SCM policy.
38. Contrary to the requirements of regulation 42 of the SCM Regulations, an internal monitoring system was not in place to determine, on the basis of a retrospective analysis, whether the authorised SCM processes were being followed and whether the desired objectives were being achieved.
39. Contrary to the requirements of regulation 28(1)(a)(ii) of the SCM policy and section 17(2) of the PPPFA, the method for allocating points for achieving specific goals when placing advertisements for tenders was not used.



## **INTERNAL CONTROL**

40. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the MFMA and MSA, but not for the purposes of expressing an opinion on the effectiveness of internal control.
- 41 The matters reported below are limited to the significant deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership Oversight Responsibility over reporting**

42. The accounting officer did not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control, which resulted in material non-compliance with the applicable laws and regulations and therefore in irregular expenditure.

### **Implementation of appropriate key controls (policies and procedures)**

43. The municipality did not have documented and approved internal policies and procedures to address planning, implementation, monitoring and reporting processes and events pertaining to performance management and reporting.
44. The municipality did not have key controls to address the system of collection, collation, verification and storage of performance information. No supporting documentation was available to support the outputs reported.

- **Financial and performance management Adequacy of systems used for preparation of the report on predetermined objectives**

45. Sufficient appropriate audit evidence with respect to the reported performance information could not be obtained as the information system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete performance information.

- **Governance**

### **Risk identification and management**

46. The municipality did not conduct a risk assessment as required by the MFMA. Consequently, a number of control deficiencies were identified. These include a failure to:
- ensure compliance with the requirements of the SCM policies and related regulations
  - ensure the accuracy, validity and completeness of performance information.

### **Fraud prevention, detection and response**

47. The municipality has not performed a risk assessment to assess risks of fraud and has consequently not developed a fraud prevention plan as required by the MFMA.

**Internal audit**

48. The municipality did not have a functioning internal audit department for the year under review.

**Audit committee**

49. An audit committee was not in operation for the year under review.

Bloemfontein

30 November 2010



**A U D I T O R - G E N E R A L**  
**S O U T H   A F R I C A**

Auditing to build public confidence

# Audited Financial Statements



THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for  
the year ended 30 June 2010

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## General Information

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<b>Legal form of entity</b>	District Municipality (DC 19)
<b>Mayoral committee</b>	
Executive Mayor	Her Majesty Queen Mathokoana
Councillors	Mr David Lengoabala Mr. WR Ndlebe Mr. LJ Lemako Mr. N Mopeli Mr. CJ Makhoba Ms. NM Mosupa Ms. SM Moleleki Mr MJ Tshabalala Ms. AM Nthedi (Speaker) Mr PH Motsoeneng (Chief Whip)
<b>Grading of local authority</b>	Grade 11
<b>Accounting Officer</b>	Matiro Rebecca Ellen Mogopodi Appointed - 14 June 2010
<b>Acting Chief Finance Officer (CFO) -</b>	Ellen Ntombizodwa Mtimkulu Appointed - 1 November 2009
<b>Administrator</b>	Sekhothe Cornelius Polelo
<b>Registered office</b>	1 Mampoi Street Old Parliament Building Witsieshoek 9870
<b>Business address</b>	1 Mampoi Street Old Parliament Building Witsieshoek 9870
<b>Postal address</b>	Private Bag X810 Witsieshoek 9870
<b>Auditors</b>	The Auditor General

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Index

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The reports and statements set out below comprise the annual financial statements presented to the Provincial Legislature:

<b>Index</b>	<b>Page</b>
Administrator's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash flow statement	8
Accounting Policies	9 - 18
Notes to the Annual Financial Statements	19 - 53
Appendixes:	
Appendix A: Schedule of External loans	
Appendix B: Analysis of Property, Plant and Equipment	
Appendix C: Segmental analysis of Property, Plant and Equipment	
Appendix D: Segmental Statement of Financial Performance	
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	

## Abbreviations

COGTA	Department of Cooperative Governance and Traditional Affairs (Free State)
CDF	Capital Development Fund
MEC	Member of Executive Council
IT	Information Technology
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
LED	Local Economic Development
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
PIMSS	Planning Implementation Management Support Structures
VAT	Value Added Tax
MMC	Member of Mayoral Committee
MFMA	Municipal Finance Management Act

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Index

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MIG	Municipal Infrastructure Grant (Previously CMIP)
PT	Provincial Treasury (Free State)
RSC	Regional Service Council Levies
IFRS	International Financial Reporting Standards

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Administrator's Responsibilities and Approval

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The administrator is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the administrator to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and adopted for the first time during the period ended 30 June 2010.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The administrator acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the administrator to meet these responsibilities, the administrator sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The administrator is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The administrator has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Government grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Government of the Republic has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the administrator is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 53, which have been prepared on the going concern basis, were approved by the administrator on 31 August 2010.

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**Sekhothe Cornelius Polelo**  
Provincial appointed administrator

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Position

	Note(s)	2010 R	2009 R Restated
<b>Assets</b>			
Current Assets			
Receivables from non-exchange transactions	7	7 212	11 945
Sundry receivables	6	2 430 182	1 431 078
VAT receivable	8	11 104 308	5 369 284
Cash and cash equivalents	9	10 930 290	17 562 429
		<b>24 471 992</b>	<b>24 374 736</b>
Non-Current Assets			
Property, plant and equipment	4	7 324 553	6 749 813
Intangible assets	5	120 811	33 461
		<b>7 445 364</b>	<b>6 783 274</b>
Non-Current Assets		7 445 364	6 783 274
Current Assets		24 471 992	24 374 736
<b>Total Assets</b>		<b>31 917 356</b>	<b>31 158 010</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	10	674 578	669 114
Operating lease liability		9 300	-
Trade and other payables	12	39 815 051	16 621 461
Unspent conditional grants and receipts	11	2 135 429	1 552 617
		<b>42 634 358</b>	<b>18 843 192</b>
Non-Current Liabilities			
Finance lease obligation	10	1 366 126	2 024 024
Non-Current Liabilities		1 366 126	2 024 024
Current Liabilities		42 634 358	18 843 192
<b>Total Liabilities</b>		<b>44 000 484</b>	<b>20 867 216</b>
Assets		31 917 356	31 158 010
Liabilities		(44 000 484)	(20 867 216)
<b>Net Assets</b>		<b>(12 083 128)</b>	<b>10 290 794</b>
<b>Net Assets</b>			
Accumulated (deficit) / surplus		(12 083 128)	10 290 794



# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Performance

	Note(s)	2010 R	2009 R Restated
<b>Revenue</b>			
Government grants & subsidies	14	56 757 752	66 488 920
Proceeds for sale of assets		40 000	266 140
Sundry income		800	24 525
Assets for no consideration		-	631 416
Interest received - investment	21	1 316 562	3 301 058
<b>Total Revenue</b>		<b>58 115 114</b>	<b>70 712 059</b>
<b>Expenditure</b>			
Personnel	18	(31 771 334)	(29 852 065)
Finance costs	22	(962 513)	(310 804)
Debt impairment	20	(23 503)	(14 070 507)
Repairs and maintenance		(1 277 586)	(70 218)
General Expenses	16	(46 454 099)	(72 122 337)
<b>Total Expenditure</b>		<b>(80 489 035)</b>	<b>(116 425 931)</b>
Revenue		58 115 114	70 712 059
Expenditure		(80 489 035)	(116 425 931)
Other		-	-
<b>Deficit for the year</b>		<b>(22 373 921)</b>	<b>(45 713 872)</b>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Statement of Changes in Net Assets

	Changes in accounting errors policies (GRAP)	Prior period restated	Legacy adjustments	Total adjustments	Accumulated surplus	Total net assets
	R	R	R	R	R	R
<b>Balance at 01 July 2008</b>						
Changes in net assets	-	-	-	-	<b>9 464 423</b>	<b>9 464 423</b>
Surplus for the year	--		-	-	(45 713 874)	(45 713 874)
Total changes	--		-	-	(45 713 874)	(45 713 874)
Opening balance as previously reported					(36 249 452)	(36 249 452)
Adjustments						
Prior year adjustments	7 934 561	15 888 187	22 717 498	46 540 246	46 540 246	46 540 246
<b>Balance at 01 July 2009 as restated</b>	-	-	-	-	<b>10 290 794</b>	<b>10 290 794</b>
Changes in net assets	--		-	-	(22 373 922)	(22 373 922)
Deficit for the year	--		-	-	(22 373 922)	(22 373 922)
Total changes	--		-	-	(12 083 128)	(12 083 128)
<b>Balance at 30 June 2010</b>						
Note(s)						

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Cash flow statement

	Note(s)	2010 R	2009 R Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		57 339 790	68 041 537
Interest income		1 316 562	3 301 058
Other receipts		40 800	290 665
		<u>58 697 152</u>	<u>71 633 260</u>
<b>Payments</b>			
Employee costs		(20 047 529)	(28 642 658)
Interest and penalties		(721 182)	-
Other payments		(43 004 727)	(73 931 536)
		<u>(63 773 438)</u>	<u>(102 574 194)</u>
Total receipts		58 697 152	71 633 260
Total payments		(63 773 438)	(102 574 194)
<b>Net cash flows from operating activities</b>	24	<b>(5 076 286)</b>	<b>(30 940 934)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(574 739)	(3 678 995)
Proceeds from sale of property, plant and equipment		-	380 030
Purchase of other intangible assets		(87 350)	(18 536)
		<u>(662 089)</u>	<u>(3 317 501)</u>
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
Finance lease payments		(893 764)	2 382 335
		<u>(893 764)</u>	<u>2 382 335</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(6 632 139)</b>	<b>(31 876 100)</b>
Cash and cash equivalents at the beginning of the year		17 562 429	49 438 529
<b>Cash and cash equivalents at the end of the year</b>	9	<b>10 930 290</b>	<b>17 562 429</b>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost basis unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 "Changes in accounting policy" which have been adopted retrospectively for the first time for the 30 June 2010 reporting period.

Accounting policies for material transactions, events or conditions not covered by the Standards of GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP3 Accounting policies, changes in accounting estimates and errors. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statement of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such statements issued by the Accounting Practices Board.

#### 1.1 Use of estimates and judgements

In preparation of annual financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying the accounting policies that have the most significant effect on the amount recognised in the annual financial statements as well as assumptions and estimations uncertainties that have a significant risk of resulting in a material adjustments within the next financial year.

#### Receivables from non-exchange transactions

The municipality assesses its receivables from non-exchange transactions for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets and intangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

#### Impairment of receivables

On debtors an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.4 Financial instruments (continued)

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

### 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.6 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Liabilities for short term employees benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay for the service and had accumulated at the reporting date.

#### Defined contribution plans

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.14 Presentation of currency

These annual financial statements are presented in South African Rand. All financial information has been rounded to the nearest Rand

### 1.15 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### 1.16 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.17 Going concern

The annual financial statements have been prepared on a going concern basis.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>2. Changes in accounting policy (continued)</b>		
<b>Short term investments</b>		
Previously stated		16 271 774
Adjustment - decrease		(16 271 774)
	-	-
<b>Opening retained earnings</b>		
Previously stated - accumulated deficit		10 146 279
Adjustment - decrease		(7 934 561)
	-	<b>2 211 718</b>
<b>Statement of financial performance</b>		
<b>Interest expense</b>		
Adjustment - increase	-	310 804
<b>Department of Transport Grant</b>		
Previously stated		(2 000 000)
Adjustment - decrease		447 383
	-	<b>(1 552 617)</b>
<b>Municipal Infrastructure Grants received</b>		
Previously stated		16 585 560
Adjustment - increase		783 440
	-	<b>17 369 000</b>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 3. New standards and interpretations (continued)

The impact of the standard is set out in note 2 Changes in Accounting Policy.

#### GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if a municipality recognises heritage assets the municipality needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

#### GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from



# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 3. New standards and interpretations (continued)

payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the municipality.

If an external valuation is used to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

### GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiable criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 3. New standards and interpretations (continued)

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures**

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation; IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures**

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through surplus or deficit or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures are required together with the disclosures of IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial**

The amendment permits an entity to reclassify certain financial assets out of the fair value through surplus or deficit category if certain stringent conditions are met. It also permits an entity to transfer from the available-for-sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 3. New standards and interpretations (continued)

municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 3. New standards and interpretations (continued)

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 4. Property, plant and equipment

	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Restated Cost	Restated Accumulated depreciation	Restated Carrying value
Plant and machinery	3 787 705	(649 443)	3 138 262	3 764 061	(649 443)	3 114 618
Furniture and fixtures	2 992 156	(1 512 041)	1 480 115	2 869 818	(1 512 041)	1 357 777
Motor vehicles	1 707 741	(265 361)	1 442 380	1 707 741	(265 361)	1 442 380
IT equipment	1 942 637	(678 841)	1 263 796	1 513 879	(678 841)	835 038
<b>Total</b>	<b>10 430 239</b>	<b>(3 105 686)</b>	<b>7 324 553</b>	<b>9 855 499</b>	<b>(3 105 686)</b>	<b>6 749 813</b>

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Total
Plant and machinery	3 114 618	23 643	3 138 261
Furniture and fixtures	1 357 777	122 338	1 480 115
Motor vehicles	1 442 380		1 442 380
IT equipment	835 038	428 758	1 263 796
	<b>6 749 813</b>	<b>574 739</b>	<b>7 324 552</b>

#### Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Total
Plant and machinery	135 150	2 980 504	(1 036)	3 114 618
Furniture and fixtures	1 035 077	360 613	(37 913)	1 357 777
Motor vehicles	1 762 387		(320 007)	1 442 380
IT equipment	518 234	337 878	(21 074)	835 038
	<b>3 450 848</b>	<b>3 678 995</b>	<b>(380 030)</b>	<b>6 749 813</b>

#### Assets subject to finance lease (Net carrying amount)

Plant and machinery	2 652 452	2 652 452
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#### Transitional provisions

##### Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain property, plant and equipment with a carrying value of R 7 324 553 (2009: R 6 749 813) are recognised at provisional amounts. Due to amounts being carried at provisional values no depreciation were provided on assets. Depreciation will be provided retrospectively upon valuation and correct measurements of the assets. The carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

##### Due to initial adoption of GRAP 17

Plant and machinery	3 138 262	3 114 618
Furniture and fixtures	1 480 115	1 357 777
Motor vehicles	1 442 380	1 442 380
IT equipment	1 263 796	835 038

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

A register containing the information required by section 63 of the Municipal Finance Management Act is available

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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**4. Property, plant and equipment (continued)**  
inspection at the registered office of the municipality.

### 5. Intangible assets

	2010			2009		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	282 863	(162 052)	120 811	195 513	(162 052)	33 461

#### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Total
Computer software	33 461	87 350	120 811

#### Reconciliation of intangible assets - 2009

	Opening balance	Additions	Total
Computer software, other	14 925	18 536	33 461

### Transitional provisions

#### Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain intangible assets with a carrying value of R 120 811 (2009: R 33 461) was recognised at provisional amounts. Due to amounts being carried at provisional values no amortisation were provided on intangible assets. Amortisation will be provided retrospectively upon valuation and correct measurements of intangible assets Carrying amounts of intangible assets carried at provisional amounts are as follows:

#### Due to initial adoption of GRAP 102

Computer software	120 811	33 461
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The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

### 6. Sundry receivables

Operating lease prepayment	13 427	
Sundry debtors	430 344	20 400
Suspense account - unidentified payment	304 143	304 143
Seconded councillor's salaries overpayments	1 611 620	1 070 734
Councillors overpayments	91 048	35 801
Impairment	(20 400)	-
	<b>2 430 182</b>	<b>1 431 078</b>

#### Suspense accounts - unidentified payments

Payment relates to a transaction against the bank account and cashbook on the 14 May 2009. No supporting documentation can be traced to identify the nature and the depositors of these payments processed.

#### Sundry receivables impaired

As of 30 June 2010, sundry receivables with a carrying amount of R 2 430 182 (2009: R 1 431 078) were impaired and provided for.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 6. Sundry receivables (continued)

The amount of the provision was R 20 400 as of 30 June 2010 (2009: R -).

The ageing of these receivables is as follows:

3 to 6 months	2 085 239	1 431 078
Over 6 months	324 543	-

### 7. Receivables from non-exchange transactions

RSC Levies	49 087 074	49 088 705
Impairment	(49 079 862)	(49 076 760)
	<b>7 212</b>	<b>11 945</b>

#### Receivables from non-exchange transactions impaired

As of 30 June 2010, other receivables from non-exchange transactions with a carrying value of R 7 212 (2009: R 11 945) were impaired and provided for.

The amount of the impairment was R 49 079 862 as of 30 June 2010 (2009: R 49 076 760).

The ageing of these receivables is as follows:

Over 12 months	49 087 074	49 088 705
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### 8. VAT receivable

VAT	11 104 308	5 369 284
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The municipality accounts for the VAT on the cash basis.

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	6 164 983	1 230 539
Short-term deposits	4 765 307	16 331 890
	<b>10 930 290</b>	<b>17 562 429</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
ABSA BANK - Cheque Account - 770-150-841	6 129 983	1 229 548	15 585 811	6 164 983	1 230 539	15 585 811
ABSA BANK - Call Account - 92 1-300-0832	610 492	600 440	-	610 492	600 440	-
ABSA BANK - Fixed Deposit Account - 206-206-4985	1 177 950	9 423 557	22 584 174	1 177 950	9 423 557	22 584 174
FNB BANK - Fixed Deposit Account - 622-4699-7110	2 976 864	6 307 893	11 390 162	2 976 864	6 307 893	11 390 162
<b>Total</b>	<b>10 895 289</b>	<b>17 561 438</b>	<b>49 560 147</b>	<b>10 930 289</b>	<b>17 562 429</b>	<b>49 560 147</b>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>10. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
within one year	674 578	669 114
in second to fifth year inclusive	1 366 126	2 024 024
<b>Present value of minimum lease payments</b>	<b>2 040 704</b>	<b>2 693 138</b>
Non-current liabilities	1 366 126	2 024 024
Current liabilities	674 578	669 114
	<b>2 040 704</b>	<b>2 693 138</b>

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 to 5 years and the average effective borrowing rate was 10% to 15.5% (2009: 10 to 15.5%).

Interest rates are linked to prime rate at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

## 11. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

<b>Unspent conditional grants and receipts</b>		
COGTA - Operation Hlasela	1 000 000	
COGTA - Finance Department Support Grant	1 000 000	
Department of Transport - Rural Development	7 014	1 552 617
Municipal System Improvements Grant (MSIG)	128 415	-
	<b>2 135 429</b>	<b>1 552 617</b>

## Movement during the year

Balance at the beginning of the year	1 552 617	
Additions during the year	2 735 000	2 000 000
Income recognition during the year	(2 152 188)	(447 383)
	<b>2 135 429</b>	<b>1 552 617</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attached to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government

## 12. Trade and other payables

Trade payables	6 865 281	1 752 653
Employees cost	5 577 315	1 277 498
Accrued leave pay	2 927 454	1 721 128
Accrued bonus	1 031 950	994 378
South African Revenue Services - Employees taxes	5 499 041	431 728
Unallocated deposit - RSC Levies	1 507 676	1 492 099
Councillors salaries under payments	19 905	19 905
Legal fees - RSC levies	16 386 429	8 932 072
	<b>39 815 051</b>	<b>16 621 461</b>



# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 12. Trade and other payables (continued)

Unallocated deposits relates to RSC levy receipts received from unidentified levy payers. These amount's are to be transferred to the municipal attorney to be held in trust until all legal matters pending between the RCS levy payers association and the municipality are resolved.

### 13. Revenue

Government grants & subsidies	56 757 752	66 488 920
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**The amount included in revenue arising from non-exchange transactions is as follows:**

Government grants & subsidies	56 757 752	66 488 920
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# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>14. Government grants and subsidies</b>		
Equitable Share	53 417 390	47 302 537
Municipal Infrastructure Grant		17 369 000
Department of Public Works Programmes	438 173	
Department of Transport	1 545 604	447 383
Local Government Sector Educational Training Authority		135 000
Finance Management Grant	750 000	500 000
Municipal Systems Improvement Grant	606 585	735 000
	<b>56 757 752</b>	<b>66 488 920</b>

### Municipal Infrastructure Grant

Balance unspent at beginning of year	17 908 572	14 858 455
Current-year receipts		17 369 000
Conditions met - transferred to expenditure	(16 041 640)	(14 318 883)

### Roll over unspent funds

<b>1 866 932</b>	<b>17 908 572</b>
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The municipality has applied GAMAP 9 with consideration to GRAP 23 in the treatment of MIG funds received. These grants are recognised as grants received in the Statement of Financial Performance as and when received. The conditions and restrictions imposed on these grants have been performed and the current unspent funds rolled over in to the 2011 financial period are committed to projects currently in progress.

### COGTA - Operation Hlasela

Current-year receipts	1 000 000	-
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Conditions still to be met - remain liabilities (see note 11).

Funds to be utilised in the mobilisation of the community under the Operation Clean Audit 2014 (Operation Hlasela) programmes

### COGTA - Finance Support Grant

Current-year receipts	1 000 000	-
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Conditions still to be met - remain liabilities (see note 11).

Appointment of service provider to assist and provide financial and day- to- day accounting support within the finance department.

### Department of Transport

Balance unspent at beginning of year	1 552 617	
Current-year receipts		2 000 000
Conditions met - transferred to revenue	(1 545 603)	(447 383)
	<b>7 014</b>	<b>1 552 617</b>

Conditions still to be met - remain liabilities (see note 11).

The project deliverable (Maken Foot Bridge) is still under construction.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>14. Government grants and subsidies (continued)</b>		
<b>Municipal System Improvement Grant (MSIG)</b>		
Current-year receipts	735 000	735 000
Conditions met - transferred to revenue	(606 585)	(735 000)
	<b>128 415</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 11).		
Shortfall in spending in improvements to municipal systems and infrastructure.		
<b>15. Other revenue</b>		
Proceeds from sale of assets	40 000	266 140
Sundry income	800	24 525
Assets for no consideration	-	631 416
	<b>40 800</b>	<b>922 081</b>
Assets for no consideration relates to assets received as in kind a donation.		
<b>16. General expenses</b>		
Advertising	278 613	195 840
Auditors remuneration	2 119 552	731 552
Bank charges	24 714	25 689
Cleaning	295 430	310 714
Computer and programming expenses	1 996 412	79 429
Consulting and professional fees	13 109 286	16 669 695
Consumables	36 802	
Debt collection	614 035	524 728
Entertainment	152 122	518 150
Insurance	117 417	177 235
Community development project	1 195 995	2 483 786
Conferences and seminars		62 210
Lease rentals on operating lease	99 300	87 058
Marketing and promotions	381 140	564 155
Magazines, books and periodicals	5 387	
Motor vehicle expenses	566 861	497 059
Fuel and oil	50 238	59 299
Placement fees	11 061	29 772
Postage and courier	1 471	748
Printing and stationery	269 015	497 659
Ceremonial and business functions		397 869
Research cost	249 145	753
Security (Guarding of municipal property)	500 000	592 600
Software and IT related expenses	1 800	120 000
Subscriptions and membership fees	260 708	298 352
Telephone and fax	843 453	953 526
Training	251 825	1 207 672
Travel - local	1 504 005	1 966 389
Travel - overseas		911 348
Tourism development	805 198	1 145 254
Staff team building		55 371
Mayoral Special Projects	3 120 082	23 675 581
Infrastructure projects expenditure	17 592 507	16 804 241
Public participation	525	478 603
	<b>46 454 099</b>	<b>72 122 337</b>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>17. Operating deficit</b>		
Operating deficit for the year is stated after accounting for the following:		
<b>Mayoral special projects</b>		
Multicultural Village		342 107
HIV/AIDS awareness and programmes	175 025	17 750
Farming communities		1 910 941
Mayoral special intervention programmes	1 554 082	11 620 931
Bursary funds	303 814	720 195
Youth advisory centres	272 978	2 338 711
Sport development programmes	150 345	1 692 765
Youth participation	230 189	313 593
SMME development	23 145	316 120
Gender and disability		66 628
Schools programmes		349 043
Poverty alleviation	367 544	3 538 015
Churches programme	42 960	448 782
	<b>3 120 082</b>	<b>23 675 581</b>
<b>Infrastructure projects expenditure</b>		
Zamani Sewer Reticulation	4 069 082	515 323
Zamani Oxidation Ponds	5 020 084	
Marquard Road Paving	101 883	1 022 739
Phumelela Youth Advisory Centre		394 312
Warden District Fire Station	1 107 605	2 850 019
Tshiame Sport Facility	1 331 845	7 753 669
Memel Hall		616 341
Maken Foot Bridge	1 545 604	447 383
Arlington Road Paving	4 416 404	3 204 455
	<b>17 592 507</b>	<b>16 804 241</b>
<b>Community development projects</b>		
Stand pipes and connection	63 916	478 707
Road and storm water	515 374	877 193
Golden Gate interventions	362 114	
Water and sanitation	254 592	1 127 886
	<b>1 195 996</b>	<b>2 483 786</b>
<b>Consulting and professional fees</b>		
Legal fees	12 269 243	16 128 243
Consulting - accounting services	510 125	
Consulting - asset management	127 709	
Consulting - payroll services	202 209	541 452
	<b>13 109 286</b>	<b>16 669 695</b>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>18. Employee related costs</b>		
Basic	22 284 387	20 225 893
Bonus	1 031 951	935 385
Medical aid - company contributions	1 465 369	1 563 296
Unemployment Insurance Fund	134 103	230 606
Skills Development Levy	180 607	30 862
Other payroll levies	12 117	15 719
Leave pay provision charge Post-employment benefits - Pension	110 000	
	2 300 273	2 513 591
Car allowance	2 932 316	3 041 477
Housing benefits and allowances	965 690	935 397
Cellphone allowances	354 521	359 839
	<b>31 771 334</b>	<b>29 852 065</b>

### Remuneration of municipal manager - MP Moloi

Annual Remuneration	203 443	610 330
Car Allowance	56 000	168 000
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	10 571	27 563
Cellphone	8 000	24 000
Other	1 338	5 752
	<b>279 352</b>	<b>835 645</b>

Mr MP Moloi terminated his services with the municipality on the 30 September 2009.

### Remuneration of chief finance officer - Mr MR Mpakane

Annual Remuneration	30 000	360 000
Car Allowance	20 000	240 000
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	1 777	3 597
Leave payout	110 765	-
	<b>162 542</b>	<b>603 597</b>

Mr MR Mpakane terminated his services with the municipality on 31 October 2009.

### Remuneration of executive manager LED & Tourism - Mr IV Moloi

Annual Remuneration	187 147
Car Allowance	48 000
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	74 559
Cellphone	2 400
Leave payout	110 765
Back pay	6 667
	<b>429 538</b>

Mr IV Moloi terminated his services with the municipality on the 31 January 2009.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 18. Employee related costs (continued)

#### Remuneration of executive manager Corporate Services - Mr NL Masoka

Annual Remuneration		5 538
Car Allowance		2 462
Contributions to Unemployment Insurance Fund, Medical and Pension Funds		125
Leave payout		19 999
	-	<b>28 124</b>

Mr NL Masoka terminated his services with the municipality on the 07 July 2008.

#### Remuneration of executive manager Community Services - Ms TPM Lebenya

Annual Remuneration	440 000	400 000
Car Allowance	160 000	160 000
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	5 435	3 673
Back pay	-	6 667
	<b>605 435</b>	<b>570 340</b>

#### Remuneration of acting executive manager Corporate Services - Ms NF

Annual Remuneration	225 036	
Non pensionable allowance	4 704	
Annual Bonuses	17 107	
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	69 952	
Back pay	2 224	
Overpayment	(2 694)	
Acting allowance	284 903	
	<b>601 232</b>	<b>-</b>

Ms NF Malatjie employed as the Organisational Development and Employee Wellness Head was appointed as the Acting Corporate Services Manager from 01 August 2009.

#### Acting Chief Financial Officer - Ms EN Mtimkulu

Annual Remuneration	319 415	
Non Pensionable Allowance	6 612	
Annual Bonuses	26 568	
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	124 145	
Cellphone	7 200	
Overpayment	(6 137)	
Acting Allowance	140 261	
	<b>618 064</b>	<b>-</b>

Ms EN Mtimkulu employed as the internal auditor at the municipality was appointed as the Acting Chief Financial Officer from the 01 November 2009.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>18. Employee related costs (continued)</b>		
<b>Acting Executive Manager LED and Tourism - Mr B Mphahlele</b>		
Annual Remuneration	364 793	
Car Allowance	109 438	
Housing Allowance	1 200	
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	104 425	
Cellphone	12 000	
Annual Bonus	30 642	
Other	4 460	
	<b>626 958</b>	<b>-</b>

Mr B Mphahlele appointed as the manager of infrastructure was appointed as the Acting Executive Manager to LED and Tourism on 01 May 2010. No acting allowance is paid to him as he falls into the remuneration bracket of a full time executive manager.

### Remuneration Acting Executive Manager Governance - Mr T Motaung

Annual Remuneration	316 289	
Car Allowance	94 887	
Annual Bonuses	26 568	
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	6 572	
Back Pay	3 126	
Non Pensionable Allowance	6 612	
Acting Allowance	85 985	
	<b>540 039</b>	<b>-</b>

Mr T Motaung was appointed as the Acting Executive Manager Governance on the 01 April 2010.

### Municipal Manager - Ms MRE Mogopodi

Annual Remuneration	27 000	
Car Allowance	11 250	
Housing Allowance	3 150	
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	516	
Other	3 599	
	<b>45 515</b>	<b>-</b>

Ms MRE Mogopodi was appointed as the Municipal Manager and commenced her term of employment on the 14 June 2010.

### 19. Remuneration of councillors

Executive Major - Her Majesty Queen Mathokoana	619 936	457 155
Chief Whip - Mr PH Motsoeneng	447 937	419 915
Speaker - Ms AM Nethedi	479 858	422 159
Mayoral Committee Members	3 621 728	3 139 072
Councillors	1 409 519	1 111 326
Seconded councillor's overpayments - to be recovered	(540 886)	(483 923)
Councillors overpayments - Government Gazette	(55 247)	(35 801)
Councillors underpayments - Government Gazette	-	19 905
	<b>5 982 845</b>	<b>5 049 808</b>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>19. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
The Executive Mayor and Mayoral Committee Members are full-time Councillors. They are provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council vehicle for official duties and is assigned a designated driver.		
<b>20. Impairment of receivables</b>		
Contributions to doubtful debt provision	23 503	14 070 507
The provision for the period ended 2009 relates to outstanding RSC levies raised in 2006. RSC levies was abolished by the South African government and the current recoverability of this debt is partly dependent on a court ruling.		
<b>21. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	1 316 562	3 301 058
	1 316 562	3 301 058
The amount included in investment revenue arising from non-exchange transactions amounted to R 1 316 562.		
<b>22. Interest and penalties</b>		
Finance leases	241 331	310 804
Interest and penalties - South African Revenue Services	721 182	-
	<b>962 513</b>	<b>310 804</b>
<b>23. Auditors' remuneration</b>		
Fees	2 119 552	731 552
<b>24. Cash used in operations</b>		
Deficit	(22 373 922)	(45 713 874)
<b>Adjustments for:</b>		
Finance costs - Finance leases	241 331	310 804
Impairment of receivables	23 503	14 070 507
Movements in operating lease assets and accruals	9 300	-
<b>Changes in working capital:</b>		
Sundry receivables	(999 105)	(844 266)
Other receivables from non-exchange transactions	4 733	(11 275 533)
Sundry receivables	(23 503)	
Trade and other payables	23 193 589	14 972 752
VAT	(5 735 024)	(4 013 941)
Unspent conditional grants and receipts	582 812	1 552 617
	<b>(5 076 286)</b>	<b>(30 940 934)</b>



# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>25. Commitments</b>		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
within one year	129 000	
in second to fifth year inclusive	178 200	
	<b>307 200</b>	<b>-</b>

Operating lease payments represents rentals payable by the municipality for the premises at 154 Cambridge Street, Bethlehem, Free State.

The lease was negotiated for a period of 3 years. The rentals escalate at 10% on an annual basis. Currently monthly rentals repayments are R1 1400 including VAT.

The municipality has the option of renewing the lease for a further period of 3 years at the end of the current lease period on the same terms and conditions as the original lease agreement, at a rental to be agreed upon amongst the parties on termination of the current lease agreement. Should the lessee not give the lessor notice of his intention not to exercise the said option by registered post, not later than 6 months before expiry of the first period of the lease, the option will be deemed to have been automatically renewed on a month to month basis.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 26. Contingencies

#### RSC levy payers association vs Municipality

The municipality has a contingent liability of R50 million as a result of a legal dispute between the municipality and levy rate payers. The background and details of this contingent liability are provided below.

According to the now abolished RSC Levies Act all entities doing business within the jurisdiction of the District Municipality must pay levies to that municipality. This legislation was terminated on 30 June 2006, and the 13 555 levy payers had until 30 June 2008 to settle their outstanding levies.

During 2007/08, the municipality appointed Podbielski Mhlambi Inc attorneys to assist with the levies debt collection of the amount owed by rate payers. The RSC legislation stipulated that the amount to be recovered should be calculated as a percentage of the levy payer's revenue and salaries cost.

The total value of these levy debtors (both registered and unregistered) was originally estimated at R49 million before impairment (refer note 7).

Some of the levy rate payers opposed the method of calculation of the levies in court and the municipality lost the first case. The municipality is currently preparing its case for application for leave to appeal the previous Court judgment, which is due to commence on 27 August 2010. Should the municipality be unsuccessful in their appeal, it is estimated that legal costs of R50 million will be payable to the attorneys acting for the levy payers. An accurate valuation and possible outcome cannot be determined due to the unique nature of the case.

Additional details on the legal fees incurred and paid to date as well as levy debtors recovered are provided below.

To date only R4,3 million was recovered from levy rate payers by Podbielski Mhlambi Inc and an additional R1 .5 million was paid directly to the municipality. The total levy debtors amount recovered to date is therefore R5.8 million. The legal fee billed to date is R36 million of which R19 million has been paid to Podbielski Mhlambi Inc attorneys.

The reconciliation below shows the legal fees billed and paid and debt collection to date per financial year.

Financial year	Legal fees billed	Legal fees paid	Legal fees outstanding	Debt collection to date**
2008	8 119 438	(2 053 725)	6 065 713	801 174
2009	13 856 566	(10 990 207)	2 866 360	2 376 879
2010	<u>13 951 488</u>	<u>(6 500 000)</u>	<u>7 454 357</u>	<u>1 195 207</u>
Total	<u>35 927 492</u>	<u>(19 543 932)</u>	<u>16 386 429</u>	<u>4 373 260</u>

*\*\*Debt collection to date excludes the additional amount of R1.5 million paid directly to the municipality.*

The outstanding legal fees of R16 386 428.76 has being raised as a liability (refer note 13). The municipality estimates that a further R10 million in legal fees to its attorneys, Podbielski Mhlambu will be incurred to bring all the matters to completion.

#### MSMM Attorneys vs Municipality

The municipality has a contingent liability of R3 223 112 as a result of a legal dispute between the municipality and MSMM Attorneys. The background and details of this contingent liability are provided below.

MSMM attorneys have issued summons for an amount of R3 223 112 against the municipality. According to MSMM Attorneys this amount is for legal services they rendered for collecting outstanding levy debt for the municipality based on arrangement with Thakangoaga Investment CC. The municipality has appointed Podbielski Mhlambi Inc attorneys to defend the matter.

When the legislation on RSC levies was terminated on 30 June 2006, the municipality appointed Thakangoaga Investments CC in November 2007 to identify the outstanding levy payers and recover the outstanding levies due to the municipality. For

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 26. Contingencies (continued)

this purpose, Thakangoaha appointed MSMM Attorneys to take the necessary legal action against these outstanding levy payers. Thakangoaha was to receive R1 50 for each of the then 13 000 outstanding cases, and also 20% of the total amount to be recovered from the levy payers.

As at February 2008, in an attempt to recover outstanding levies, MSMM issued 6 000 summons to levy payers. The municipality received numerous counter claims from levy payers. According to levy payers, summons issued did not comply with legal requirements. The municipality then sought legal opinion, which confirmed that summons issued did not comply with legal requirements.

MSMM Attorneys are now suing the municipality for not paying fees for legal services rendered by them based on instruction from Thakangoaha Investment CC. The municipality will defend this R3 223 112 claim by MSMM Attorneys based on legal advice received. It is expected that the court hearing for this matter will take place early 2011.

The municipality estimates to incur legal cost of R150 000 to defend the above matter.

### Warden resident vs Municipality

The municipality has a contingent liability of R300 000 as a result of a legal dispute between the municipality and a Warden resident. The background and details of this contingent liability are provided below.

A Warden resident is suing the municipality for an amount of R300 000. The resident's house burnt down and he had no household insurance. There is no fire station in Warden, and therefore the resident had to phone the fire station in Harrismith. Warden is +/- 80km from Harrismith, the fire truck did not arrive in time to extinguish the fire and the house burned down. The damage to his house and household content is estimated to be R300 000. There are no details available about the cause of this fire.

The Warden resident is holding the municipality accountable for the loss of his house and the household content due to non existence of a fire station in Warden. According to the Warden resident, the municipality is responsible for providing disaster recovery services and they have failed to provide such a service to Warden residents. The court date for this matter is still pending and it is likely to sit during 2011.

The municipality estimates to incur R150 000 in legal cost to defend the above matter.

### Infrastructure Finance Corporation vs Municipality

The municipality has a contingent liability of R2 million as a result of a legal dispute between the municipality and Infrastructure Finance Corporation. The background and details of this contingent liability are provided below.

The municipality purchased copiers from Nashua Bethlehem. Nashua Bethlehem erroneously made use of two financing houses to finance the purchase of these office machines. Subsequently the municipality paid both financing houses for these copiers. It was only after a year that they realised payments were being made in duplicate. The municipality stopped all payments (to both financing houses) after the fraudulent nature of the transaction was discovered.

Podbielski Mhlambi Inc was appointed by the municipality and identified that the one financing house produced falsified documentation. The copiers delivered to the municipality also differed from the goods purchased as per the supporting documentation. It was later determined that the goods delivered were stolen goods.

The Municipality instructed its attorney to recover the overpayment from the financing house and it was established that they have been liquidated. The Municipality's attorney advised the municipality not to attempt recovering the over payments as there were no sufficient funds available in the estate.

Infrastructure Finance Corporation is suing the municipality for the outstanding payments, which amount to R2 million.

The Municipality is currently defending the matter in the Free State High Court. It's expected that it will probably proceed to trial early 2011. It is expected that a further R300 000 legal costs will be incurred to bring this matter to completion.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 26. Contingencies (continued)

#### Housing guarantees

A contingent liability exists for the municipality to pay the guarantee amount in the event of the employee not being able to settle their bond / default on payment.

The Municipality has provided housing guarantee's to the employees listed below. The maximum amount each qualifying employee may receive is R85 000.

Name of employee	Effective date	Guarantee amount
Mazibuko Mwelase	25/05/2005	85 000
Mollo Ngobese	22/03/2006	85 000
Motloungh Mohoabadi	04/10/2006	85 000
Moloi Khesa	25/05/2005	85 000
Motloungh Sylvia	30/01/2007	85 000
Moloi Materonko	08/10/2002	65 000
Mthombeni Sthembiso	01/10/2004	70 000
Dusse Ronald	01/07/2006	85 000
Majoro Matsiliso	01/07/2006	85 000
Maringa Robert	01/07/2006	85 000
Swart Pierre	01/07/2006	85 000
Viljoen Johannes	01/07/2006	85 000
Du toit Pieter	01/07/2006	85 000
Malan M.P	01/07/2006	85 000
Oosthuizen Corrie	01/07/2006	85 000
Mani Koahela	01/07/2009	85 000
Tankiso Talane	01/07/2009	85 000
Total guarantees issued		<u>1 410 000</u>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
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### 29. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Interest rate risk

The municipality's interest rate risk arises from Finance lease liabilities. Finance leases issued at variable rates expose the municipality to cash flow interest rate risk. During 2010 and 2009, the municipality's borrowings at variable rate were denominated in the Rand.

Cash flow interest rate risk

	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Finance leases	10.00%	830 689	680 548	680 548	170 137	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2010	2009
ABSA Bank - Cheque Account	6 129 983	1 229 548
ABSA Bank - Call account	610 492	600 440
ABSA Bank - Fixed Deposit	1 177 950	9 423 557
First National Bank - Fixed Deposit	2 976 864	6 307 893

### 30. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated deficits of R 11 051 178 and that the municipality's total liabilities exceed its assets by R 11 051 178.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 31. Events after the reporting date

#### Submission and payment of outstanding employee taxes

Subsequent to reporting date, all outstanding employee taxes returns have been submitted to the South African Revenue Services and taxes withheld by the municipality paid with the exception of the interest and penalties charged. The municipality intends to negotiate with the South African Revenue Services for a more favourable interest charge and the waiver of the penalties raised.

#### Submission of outstanding VAT returns

Subsequent to reporting date, all outstanding VAT returns were submitted to the South African Revenue Services. The municipality awaits the final assessment of the returns submitted and the refunds owing thereof.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>32. Unauthorised expenditure</b>		
Opening balance	20 111 047	3 218 157
Unauthorised expenditure identified	64 265 827	16 892 890
	<b>84 376 874</b>	<b>20 111 047</b>

Management performed a review of transactions and identified the above to be unauthorised expenditure.

A special Council sitting is set to address the unauthorised expenditure identified by management.

### 33. Fruitless and wasteful expenditure

Opening balance	3 632 545	
Fruitless and wasteful expenditure	33 173 904	3 632 545
Less: amounts recoverable - not condoned **	(1 702 667)	-
	<b>35 103 782</b>	<b>3 632 545</b>

Management performed a review of transactions and identified the above to be fruitless and wasteful expenditure.

\*\* Amounts recoverable and not condoned by the municipality relates to the overpayment of councillors salaries.

A special Council sitting is set to address the fruitless and wasteful expenditure identified by management.

### 34. Irregular expenditure

Opening balance	88 198 758	29 658 898
Add: Irregular expenditure identified - current year	32 352 667	58 539 860
Less: Amounts recoverable - not condoned **	(1 702 667)	-
	<b>118 848 758</b>	<b>88 198 758</b>

#### Details of irregular expenditure – current year

	Details	
Procurement of professional services - Valuation rolls	Procurement process not followed according to supply chain management policy	1 650 000
Procurement of legal services	Deviation from procurement process	29 000 000
Overpayment of councillors salaries	Deviation from Treasury guidelines	1 702 667
		<b>32 352 667</b>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>34. Irregular expenditure (continued)</b>		
<b>Details of irregular expenditure</b>		
	<b>Details</b>	
Procurement of Mayoral vehicle	Deviation from supply chain management policy	620 000
Installation of vegetable tunnels	Amount paid in excess to signed agreement without adequate authorisation	620 778
Asset management	Deviation from supply chain management policy	122 950
Transactions with no quotations	Non compliance to supply chain management policy	11 972 976
Transaction with less than three quotations	Non compliance to supply chain management policy	16 942 193
Payment vouchers not properly authorised	Non compliance to MFMA	25 277 665
No tax clearance certificates obtained	Non compliance to supply chain management policy	10 608 527
Quotations not obtained	Non compliance to supply chain management policy	5 008 983
Tender processes not followed	Deviation from supply chain management policy	12 005 212
Payments vouchers not authorised	Non compliance to supply chain management policy	5 019 474
		<b>88 198 758</b>

### Details of irregular expenditure recoverable (Condoned)

Overpayment of councillors salaries	1 702 667
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## 35. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(22 373 922)	(45 713 874)
<b>Adjusted for:</b>		
Impairments recognised	23 503	14 070 507
Assets for no consideration	-	(631 416)
<b>Net deficit per approved budget</b>	<b>(22 350 419)</b>	<b>(32 274 783)</b>

## 36. Additional disclosure in terms of Municipal Finance Management Act

### Contributions to organised local government

Opening balance	83 592	(11 246)
Current year subscriptions	212 984	327 198
Amount paid - current year		(232 360)
Amount paid - previous years	(83 592)	-
	<b>212 984</b>	<b>83 592</b>

### Material losses through criminal conduct

The municipality incurred no material losses through criminal conduct during the reporting period.

### Audit fees

Opening balance		731 552
Current year fee	69 205	
Prior year fees	2 119 552	
Amount paid - previous years	(2 119 552)	(731 552)
	<b>69 205</b>	<b>-</b>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>36. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE and UIF</b>		
Opening balance	333 760	
Current year subscription / fee	3 973 457	3 931 243
Amount paid - current year	-	(3 597 483)
	<b>4 307 217</b>	<b>333 760</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	134 079	
Current year subscription / fee	1 698 502	1 541 468
Amount paid - current year	(1 555 995)	(1 407 389)
Amount paid - previous years	(134 079)	-
	<b>142 507</b>	<b>134 079</b>
<b>VAT</b>		
VAT receivable	11 104 308	5 369 284

Outstanding VAT returns for the the period under review were submitted to the South African Revenue Services subsequent to balance sheet date .

### 37. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

### 38. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

### 39. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Property/Rates valuation roll was procured during the financial year under review and the process followed in procuring this service deviated from the provisions of paragraph 12(1 )(d)(i) as stated above. The reasons for these deviations were considered, documented and subsequently approved by the former accounting officer.

### 40. Municipal office occupation

The Municipal head office situated at 1 Mampoi Street, Old Parliament Building, Witsieshoek is leased from the Free State, Department of Public Works for no rental consideration.

### 41. Provincial Government Intervention

In terms of Provincial Executive Council Cabinet minute 7.4 of 4 November 2009, the Free State Legislature appointed Mr S.C Polelo to act as on behalf of the Provincial Executive Council as the administrator for the Municipality with effect from 9 November 2009. The Executive Council further agreed that the administrator be assisted by:

- Mr. B Molotsi (CEO of the Free State Liquor Board)
- Ms. Ntombi Mthimkulu (Acting CFO)

On 6 November, the MEC for COGTA arrived at the municipality and at a special Council meeting, presented a memorandum indicating that the municipality be place under section 139(1 )(b) of the Constitution of the Republic of South Africa, 1996 (Act



# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
--	-----------	-----------

### 41. Provincial Government Intervention (continued)

No. 108 of 1996).

At 30 June 2010 the municipality continued to operate as a Municipality under section 139 and will continue to until the Provincial Executive Council is satisfied that the Municipality's Council is ready and able to perform their duties, obligations and functions.



## PART FIVE

### Performance and service delivery information

#### Legislative requirements

In terms of **Section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000)**, a municipality must prepare for each financial year an annual report consisting of a performance report reflecting—

- *the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;*
- *the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and*
- *measures that were or are to be taken to improve performance.*

**Section 121(3)(c) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)** further stipulates that the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act.

This chapter covers the requirements of the above legislative provisions and reports on the municipality's performance against the service delivery targets contained in the approved 2009/10 Service Delivery and Budget Implementation Plan (SDBIP) for each of the Key Result Areas and includes corrective measures that were taken or are to be taken to improve performance. It further includes the service delivery targets set by the municipality for the 2010/11 financial year as per the approved SDBIP.

## **Thabo Mofutsanyana District Municipality (TMDM) – Performance Management System (PMS)**

The Municipal Systems Act (MSA) of 2000 mandates municipalities to establish performance management systems, and the Planning and Performance Management Regulations of 2001 describes the municipality's performance management system as consisting of a framework that articulates and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed and to determine the roles of different stakeholders.

Furthermore, the MSA and the Municipal Finance Management Act of 2003 (MFMA) requires that the 5-year strategy of a municipality, the Integrated Development Plan (IDP), must be aligned to the municipal budget and must be monitored for the implementation of the IDP against the budget via the annual Service Delivery and Budget Implementation Plan (SDBIP). Thus the IDP, the budget and the municipality's performance are linked. In relation to these provisions, the performance management of Section 57 Managers must align with the implementation of the Integrated Development Plans, and this is now regulated in terms of the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006.

Thabo Mofutsanyana District Municipality introduced a performance management policy framework that encompasses a Performance Management System (PMS) and was adopted by the municipal council. The Policy Framework reflects the linkages between the Integrated Development Plan (IDP), the Budget, the Service Delivery and Budget Implementation Plan (SDBIP) and the Performance Management System (PMS) of the municipality. Policy Framework further incorporates recently promulgated legislation and policies, presents an updated version of the Municipal Scorecard Model and the 5 perspectives, different levels of scorecards and the relationship of these levels and outlines the roles and responsibilities of different stakeholders.

As required by the Municipal Systems Act, 2000 and the Planning and Performance Management Regulations, 2001, this Policy Framework sets out:

- The objectives of a performance management system;
- The principles that will inform the development and implementation of the system;
- A preferred performance model that describes what areas of performance will be measured by the municipality;
- The process by which the system will be managed;
- Auditing of the municipality's performance;
- Compliance to critical dates and timelines;
- The roles and responsibilities of different stakeholders; and
- The process of managing individual performance

### **Revised Municipal Scorecard Model**

In previous years, municipalities were encouraged to adopt the balanced scorecard model in its adapted Municipal Scorecard Performance Model format. This model consisted of four perspectives, namely; (1) Development Impact Perspective; (2) Resource Management Perspective; (3) Service Delivery Perspective; and (4) Governance Process Perspective.

With recent developments through the adoption, by national cabinet, of the 5-Year Local Government Strategic Agenda, that aligns local government with the national programme of action, it became imperative to review the above municipal scorecard model and to align it with the 5 Key Performance Areas (KPA's) for local government.

The Thabo Mofutsanyana District Municipality aligned this framework to the revised Municipal Scorecard Model and its performance is grouped under the following 5 perspectives:

### ***1. The Municipal Development Perspective***

In this perspective the municipality will assess whether the desired development indicators around the performance area of social and economic development is achieved.

### ***2. The Service Delivery Perspective***

This perspective will assess the municipality's performance in the overall delivery of basic and infrastructural services and products.

### ***3. The Financial Management Perspective***

This perspective will measure the municipality's performance with respect to the management of its finances.

### ***4. The Institutional Development Perspective***

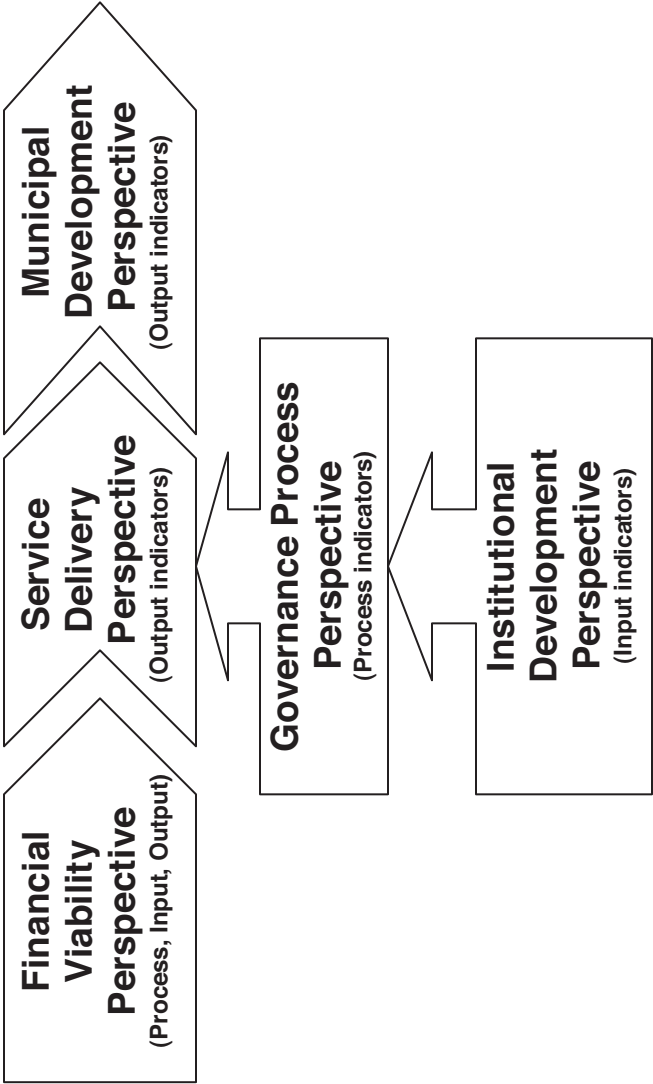
This perspective relates to input indicators that measure the functioning of the municipality under areas such as human resources, strategic planning and implementation, performance management, etc.

### ***5. The Governance Process Perspective***

This perspective will measure the municipality's performance in relation to its engagement with its stakeholders in the process of governance, established and functioning governance structures, etc.

**Figure 1** below illustrates the 5 perspectives of the Revised Municipal Scorecard Model and the type of indicators grouped under each perspective. It depicts how each of the perspectives informs the performance results of the others from the bottom-up.

Figure1: The 5 Perspectives of the Revised Municipal Scorecard



## Implementing the Performance Management System

Having identified the preferred performance model to be the Revised Municipal Scorecard, and having agreed to measure its performance against the five perspectives, Thabo Mofutsanyana District Municipality adopted a process plan for implementing its performance management system.

The PMS implementation and management process will be carried out within the following phases:

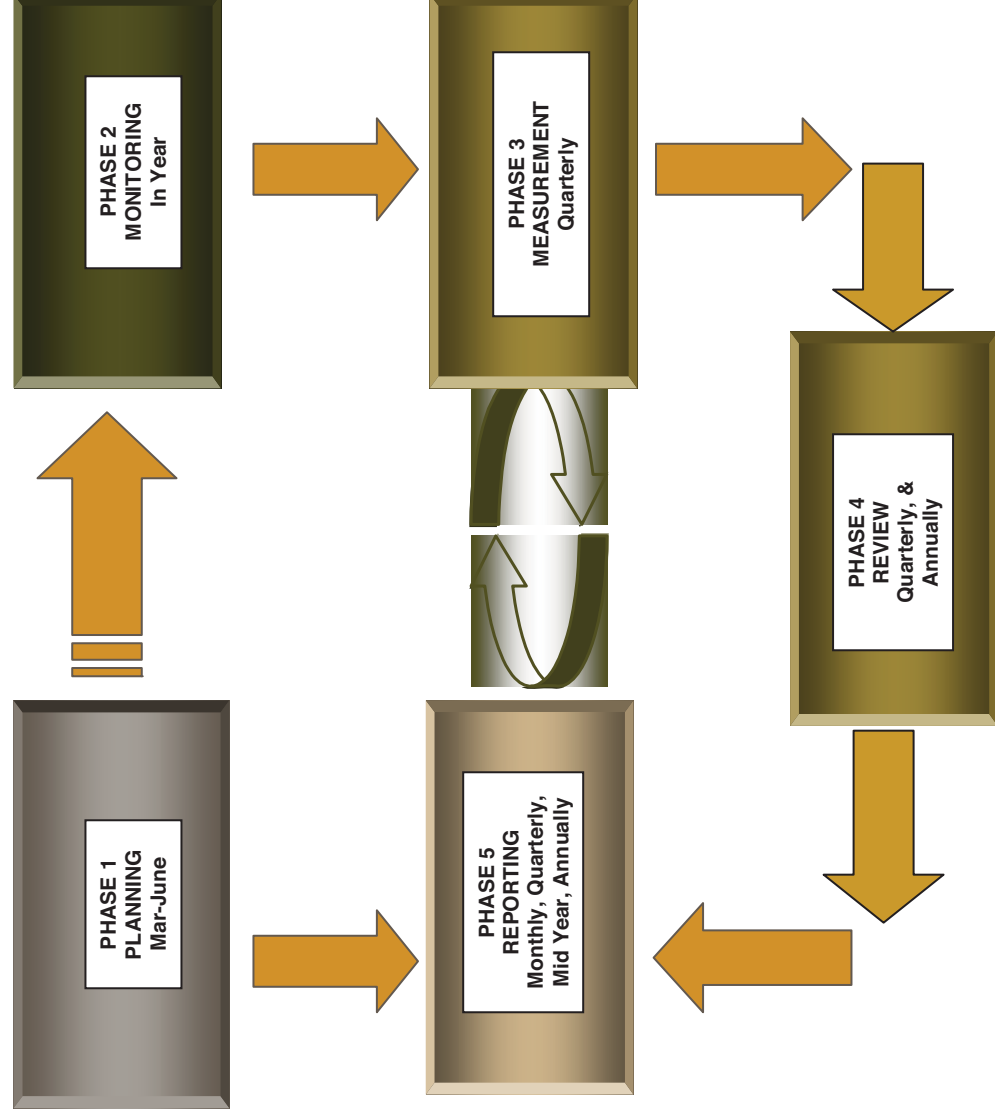
- Phase 1: Planning for Performance
- Phase 2: Performance Monitoring and Managing Performance Information
- Phase 3: Performance Measurement and Analysis
- Phase 4: Performance Review and Improvement
- Phase 5: Performance Reporting

The cycle of performance that will be adopted is shown in **figure 2** below.

Each phase is outlined in detail and this includes the actual step-by-step guide on what each phase entails and how each one will evolve. Templates that will be used in each phase are illustrated figuratively in the document.



Figure 2: The Organizational Performance Management Cycle



## KEY PERFORMANCE AREAS, PERFORMANCE INDICATORS, TARGETS AND VARIANCES 2009-2010

### KEY PERFORMANCE AREA 1 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Functional Area or Development Priorities	Strategic Objectives	Key Performance Indicators	Performance Criteria or Performance Standards	Previous year targets and performance (Baseline) 2008/2009	Current year targets 2009/2010	Actual performance against set targets for current year	Measures to improve performance in following year
Functional municipal governance structures	To ensure effective, functional and efficient institutional structures	1. Approved Organogram 2. Evaluation report on all posts below sec 57 managers..	1. Consensus within LLF and Council approval of Organogram. 2. Posts evaluation to be in line with Bargaining Chamber requirements. Accredited training	Macro structure approved	1. Approved Organogram 2 Evaluation of 84 posts..	1.No Organogram approved 2.No evaluation report	Benchmark against other Districts and seek SALGAs assistance
Staff and Councillor Capacity Building	Staff and Councillor training	Academic transcripts of courses attended.		Skills audit report. Workplace Skills Plan	11 Councillors attending training 63 employees attending training	6 Councillors attending at tertiary institutions 16 Employees attending training	Skills provision to be centralised in the SDF office
Functional Council	Good Governance	Copies of Council resolutions and minutes	Implementation of Council resolutions	4 Council sittings 10 Portfolio Committee meetings 12 Mayoral Committee Meetings	4 Council sittings 10 Portfolio Committee meetings 12 Mayoral Committee Meetings	8 Council sittings 12 Portfolio Committee meetings 4 Mayoral Committee Meetings	Set predetermined dates for meetings in line with the MFMA guidelines.

Implementation of the Performance Regulations of 2006	Good Governance	2 Performance agreements signed and assessments undertaken	Performance grading and recognition remunerated	2 performance agreements signed.	5 performance contracts signed.	5 performance contracts signed.	Performance committee to assess performance
Human Resources Strategy incorporating all core administrative policies and procedures developed.	Good Governance	Strategy in place and adopted by Council	Strategy in place to address retention, capacity building, and exit of employees.	Human Resource Manual	Strategy in place and adopted by Council	Model policies received from COGTA.	Seek model policies and strategies from SALGA and other municipalities
Human Resources Management	Good Governance	Minutes of LLF meetings, and compliance to resolutions taken thereat.	<ul style="list-style-type: none"> <li>- All Human Resources policies and procedures as agreed and accepted by Council to be implemented and available to staff. Proof of such policies to be submitted.</li> <li>- All Human Resources matters to be documented. Where grievances or complaints are received, such matters should be adequately resolved. Proof thereof to be submitted.</li> </ul> .Vacancies filled in line with Council resolutions.	Resurrection of LLF	Functional LLF in place Section 57 managers appointed Communications Officer appointed Public Participation Officer appointed.	Functional LLF in place Municipal Manager and 4 managers appointed. Officer appointed Officer appointed.	Implement resolutions and do post matching

Skills Development (both councilors and employees)	- To ensure the effective training has been imparted to all staff members. To provide training and development. Develop and implement a Skills Plan/Policy according to legal requirements for the Department.	Skills Audit Register No of accredited trainings attended, in line with the Skills Development Framework	Accredited training	WSP drawn	11 Councilors attending training 63 employees attending training	5 Councilors attended. 16 Employees attended training.	Aim to reach the Annual target before the end of financial year.
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**KEY PERFORMANCE AREA 3  
COMMUNITY AND SOCIAL DEVELOPMENT**

Functional Area or Development Priorities	Strategic Objectives	Key Performance Indicators	Performance Criteria or Performance Standards	Previous year targets and performance (Baseline)	Current year targets	Actual performance against set targets for current year	Measures to improve performance in the following year
Environmental Health Services Provision	Good Governance	4 health services provided in 5 LMs	Water Quality to be satisfactory Health regulations compliant institutions	Employment of EHPs in 5 LMs, and 5 SLAs	4 health services provided in 5 LMs	4 health services provided in 5 LMs	Employ EHP for Nketoana
Sporting facilities and activities	Social Cohesion	2 codes supported	No of participants in sport events, and co-ordination thereof	2 sporting codes	2 sporting codes supported	2 sporting codes supported	Budget for sport to be increased
Community halls and recreational facilities	Infrastructure Development	1 facility-Memel	Facilities which are used by communities	1 facility	1 facility-Memel	1 facility-Memel	Mobilise internal resources
Mainstreaming Gender /Disability Issues with Gender /Disability Policy	Good governance Social Cohesion	Programme and costs for Women's Day celebrations	Quality of co-ordination of activities related to the sectors	Women's Day celebrations organised	Woman Day Celebrations organised	Woman Day Celebrations organised.	Draw departmental specific budget.
Mainstreaming Issues of HIV/AIDS with HIV/AIDS Strategy	Good governance Social Cohesion	HIV/AIDS policy in place	Quality of co-ordination of activities related to the sectors	AIDS Day celebrations organised Secretariat to TMDM AIDS Council	HIV/AIDS policy in place	HIV/AIDS policy in place	Draw departmental specific budget.
Arts and Culture Issues	Social Cohesion	Register of legalised initiation schools	reduction in deaths at initiation schools	Register of Initiation schools	10 Complaint initiation schools	10 Complaint initiation schools	Strengthen Communication Unit
Disaster Management	Safe communities	1.Functional Disaster Management Centre 2.Disaster Management Framework	Unit that is compliant with legislation is in place	Establishment of a Disaster Management Centre	DM Framework, and appoint manager	1.draft framework in place. 2. No manager appointed	Employ a manager as per DMA

KEY PERFORMANCE AREA 4 LOCAL ECONOMIC DEVELOPMENT						
Functional Area or Development Priorities	Strategic Objectives	Key Performance Indicators	Performance Criteria or Performance Standards	Previous year targets and performance (Baseline)	Current year targets	Actual performance against set targets for current year
Promotion of Local Economic Development	Coordinate Local Economic Development	150 new formal enterprises and cooperatives established in the municipal area of jurisdiction and registered in the municipality database.	Number of new businesses established in the municipal region. This includes businesses in the formal sector, these are businesses that are formally registered have a continuous trade, and permanent employees are captured by several business registers and therefore reasonably well known. Cooperatives means an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organized and operated on co-operative principles	100 businesses are registered	150 businesses are registered	150 businesses registered
	Coordinate Local Economic Development	R 5m of capital and operating budget used for the procurement of goods and services from SMMEs and BEE enterprises	This indicator measures the percentage of the budget allocated to SMMEs and BEE enterprises	R2m goods and services procured from SMMEs	R2m goods and services procured from SMMEs	R2m goods and services procured from SMMEs
	Poverty eradication	100 jobs created	Payment of incentive grant by Public Works	160 jobs created	100 jobs created	128 jobs created
Impact of the Expanded Public Works Programme						Record every employment created
						Integrate SCM documentation in all LMs

## KEY PERFORMANCE AREA 5 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

Functional Area or Development Priorities	Strategic Objectives	Key Performance Indicators	Performance Criteria or Performance Standards	Previous year targets and performance (Baseline)	Current year targets	Actual performance against set targets for current year	Measures to improve performance in the following year
Compliance with MFMA	Financial Management and discipline  Good Governance	1.Approved budget by end of June 2.SDBIP approved by end of July 3.Submission of financial statements to A-G by 31 August 4.Submission of annual report to Council by January	To monitor compliance with MFMA timeframes for the preparation and submission of Annual Financial Statements and other reports	1. June 2008 2. Sept 2008 3. Sept 2008 4. April 2009	1.May 2009 2.July 2009 3.August 2009 4. January 2010	1.May 2009 2.July 2009 3.August 2009 4.November 2009	Appoint personnel in finance department
Municipal budgets, expenditure and revenue sources	Financial Management and discipline	Register of grants and other sources	Ability to produce register to the AG	Register of all allocations received.	Grants register available	Grants register not compiled	Seek assistance from COGTA
Municipal financial viability and management	Financial Management and discipline	MSIG expenditure report	The actual value (rand) of Municipal Systems Improvement Grant spent (report by quarter) as a percentage of the planned MSIG		100% of MSIG spent	100% of MSIG spent	Request increase
Results of A-G Audit	Financial Management and discipline	Clean audit report	Municipal Audit Report with an unqualified rating.		Unqualified report	Disclaimer	Improve internal control and ensure adherence to policy



## KEY PERFORMANCE AREA 6 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Functional Area or Development Priorities	Strategic Objectives	Key Performance Indicators	Performance Criteria or Performance Standards	Previous year targets and performance (Baseline)	Current year targets	Actual performance against set targets for current year	Measures to improve performance in following year
Community Participation Framework	Public Participation	Functional ward committees reports from 5 local municipalities	This indicator measures the number of functional ward committees. Municipal Structures Act (Act No. 117 of 1998)	70 wards	70 wards	70 wards	Ward Committees conference
Community Development Worker Framework	Public Participation	40 Community Development Workers deployed in the municipality	A Community Development Worker (CDW) is a community-based resource person who collaborates with other community workers to help fellow community members to obtain information and resources from service providers.	30 CDWs	50 CDWs employed	55 CDWs employed	Ward Committees conference
Functional Audit Committee	Good Governance	Minutes of meetings and reports. 4	Committee meeting at least four times a year	4 meetings and reports	4 meetings and reports	2 meetings and 1 report	A new Audit Committee to be established.
Functional Performance Audit Committee	Good Governance	Minutes of meetings and reports.4	Committee meeting at least four times a year	4 meetings and reports	4 meetings and reports	2 meetings and 1 report	A new Audit Committee to be established.
Functional Oversight Committee	Good Governance	1 Report of the oversight committee	Annual report to be tabled to the committee	2 Reports of the oversight committee	Oversight report	No report	Re-establish the oversight committee
Accountability to stakeholders		Annual report, inclusive of an annual performance report (Section 46 report) tabled to Council in January and adopted with oversight report by end of March		1 annual report	1 annual report with performance report	1 annual report with performance report	Ensure that KPIs , and strategies are captured in the IDP

## KEY PERFORMANCE AREA 7 CROSS-CUTTING INTERVENTIONS

Functional Area or Development Priorities	Strategic Objectives	Key Performance Indicators	Performance Criteria or Performance Standards	Previous year targets and performance (Baseline)	Current year targets	Actual performance against set targets for current year	Measures to improve performance in following year
Integrated Development Planning	Good Governance	1 Credible IDP adopted by Council before 30 June, and copy of Council resolution	Credible IDP	IDP adoption by 30 June	IDP adoption by 30 June	May 2009	Incorporate MTAS
Spatial Planning (Including LUMS, spatial economics and environmental management plans )	Good Governance	Adopted SDF	Credible SDF	Reviewed SDF adopted by Council by 30 June	IDP adoption by 30 June	No reviewed SDF adopted by Council	Review the SDF and table by June

# 2010/11 Service Delivery and Performance Targets

## OFFICE OF THE MUNICIPAL MANAGER (Vote: Executive & Council)

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Quarterly targets				Comments
				Q1	Q2	Q3	Q4		
Good Governance and Community Participation	Corporate governance and Public participation	Maintain the institutional capacity to implement the IDP and accompanying programmes efficiently and effectively	% effective and sound systems and internal controls	100% review of system of delegations of powers and functions	20%	50%	75%	100%	Review delegations in line with applicable legislation
				100% of internal audit charter reviewed	25%	60%	100%		Compile internal audit charter in line with NT guidelines
				100% of organisational risk assessment conducted	25%	60%	100%		Q1: Awareness of employees Q2: Risk assessment workshops Q3: Risk register & management strategy (Jan 10)
				100% of internal audit coverage plan compiled and approved	0%	50%	100%		Q3: Approved by Audit Committee (Jan 2010)
				25% execution of internal audit coverage plan	0%	0%	0%	25%	Ad-hoc assignments by MM/CFO
				100% drafting and approval of fraud prevention plan/strategy	30%	100%			Compile plan/strategy in line with NT guidelines
				100% of system for declaration of gifts and interests implemented	50%	100%			Q2: Draft completed/Submit to Council System to be in line with applicable legislation/ Updating & maintenance of register
				100% of Revised IDP approved by Council by May 2011 (includes the SDF)	20%	50%	75%	100%	Q1: Process plan approved Q2: Analysis & projects phases Q3: PP + Strategies phase & draft IDP Q4: Public participation & Consolidation
				100% of 2011/12 MTREF (Budget) prepared and approved by Council i.t.o MFMA	20%	40%	80%	100%	Q1: Approved time schedule Q2: Internal consultations Q3: Draft budget tabled Q4: Budget approved
				100% of 2009/10 Annual Report submitted to Council by end of January 2011	25%	80%	100%		Q1: Framework developed Q2: Draft report compiled Q3: AR submitted to Council
				100% of TMDM communication policy developed and approved in line with National and Provincial frameworks	30%	70%	100%		Q1: Terms of reference Q2: Draft policy Q3: Policy submitted to Council

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Q1	Q2	Q3	Q4	Comments
			% IGR and stakeholder management	100% management of IGR and stakeholders	100%	100%	100%	100%	Attendance of IG & stakeholder engagements and meetings In terms of Systems Act
			% of public/community participation strategy developed, approved and implemented	100% review of public participation framework developed and approved	50%	75%	100%		
			% of monthly and quarterly performance reviews and reports in line with PMS policy and MFMA	100% public participation on IDP, Budget, By-Laws, etc.	100%	100%	100%	100%	In terms of Systems Act
			% implementation of institutional PMS	100% of monthly and quarterly performance reviews and reports compiled	100%	100%	100%	100%	Monthly and Quarterly reports submitted ito of sections 71 & 52 of MFMA; Reviews of s57 managers ito performance agreements
			% of compliance with Employment Equity legislation	Signed performance agreements for all s57 managers	0%	100%			
			% compliance with Skills Development legislation	100% compliance with EE provisions (submission of EE plan and report to Dept. of Labour by end of Oct. 2010)	50%	100%			
			% compliance with Skills Development legislation	Annual Workplace Skills Plan and Annual Training Report submitted to LGSETA	20%	50%	75%	100%	
			% annual audit by Auditor-General effectively managed	100% of annual audit managed effectively	50%	100%			Q1: Submit AFS to AG on time Q2: Manage and oversee auditing process; Submit management responses to AG queries on time
			% of Spatial Development Framework (SDF) completed	100% of SDF completed and approved by Council	50%	100%			

## CHIEF FINANCIAL OFFICER (Vote: Finance & Admin: Finance)

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Quarterly targets Q1 Q2 Q3 Q4	Comments
Financial Viability and Financial Management	Corporate governance and Public participation	Create a responsive and accountable administration	100% implemented SCM system compliant with MFMA and NT prescripts	Completed review of SCM Policy into MFMA and submitted to Council for approval	50% 100%	
				Supplier database updated (annual invitation of service providers for inclusion in TMDM supplier database)	25% 60% 100%	
				100% of quarterly SCM implementation reports submitted to Executive Mayor and Council	100% 100% 100%	
				Monthly s71 reports submitted to the Portfolio Committee, Executive Mayor, Council and Treasury	3 3 3 3	
				Monthly Financial Management Grant (FMG) reports submitted to National and Provincial Treasury	3 3 3 3	
				Monthly Municipal Systems Improvement Grant (MSIG) reports submitted to National and Provincial Treasury	3 3 3 3	
				Quarterly s52 reports submitted to Executive Mayor and Council	1 1 1 1	
				s72 mid-year budget and performance assessment report submitted to Executive Mayor, National and Provincial Treasury	0 0 1 0	
				100% of 2011/12 MTREF completed by end of May 2011	10% 25% 75% 100%	Q1: Budget preparation time schedule Q2: Internal consultations Q3: Draft budget tabled Q4: Public participation and final budget approval AFS submitted to AG on time
				100% AFS submitted by 31 August 2010	100%	
Financial Viability and Financial Management			2011/12 MTREF completed in terms of MFMA and GRAP requirements by end of May 2011	100% of annual audit managed effectively	50% 100%	Q1: Submit AFS to AG on time Q2: Manage and oversee auditing process; Submit management responses to AG
				GRAP Compliant Financial Statements produced annually		

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Q1	Q2	Q3	Q4	Comments
Increase revenue base	To supplement the existing revenue base of the District by exploiting new potential sources of revenue To ensure that the District in			100% of action plan developed to achieve clean audit by 2014	20%	70%	100%		queries on time; Develop action plan to address issues raised in final AG report
				% of creditor payments made within 30 days	100%	100%	100%	100%	In line with Operation Clean Audit 2014
				% of financial management polices audited and reviewed	0%	25%	50%	100%	User departments to submit invoices to finance within 5 days of receipt Q2: Submit progress reports to MM; Q3: Submit final audit report to MM & Council Q4: Submit revised policies for approval
				100% effective bank and cash management system implemented	0%	50%	100%		
				Monthly bank reconciliations prepared and signed-off	3	3	3	3	
				Monthly investment reconciliation prepared and reviewed	3	3	3	3	
				Monthly cash flow forecasts prepared and reviewed	3	3	3	3	
				Monthly grants reconciliations prepared and reviewed	3	3	3	3	
				100% effective management of payroll function	100%	100%	100%	100%	Accurate capturing and payment of valid salaries; Prepare, submit and reconcile SARS statutory returns on time.
				% of personnel expenditure system and processes developed and implemented					
			% of fixed asset register updated	0%	20%	60%	100%	Updating of FAR including revaluation of outstanding assets	
			% MFMA compliance template/register	0%	25%	100%	100%	Q2: Draft template Q3: Finalise template Q4: Monitor & report on compliance	
			% District CFO Forum established by end of March 2011	0%	50%	100%		Q2: Consultations with CFOs Q3: Develop CFO programme & convene inaugural meeting	
			% completed VAT review	50%	100%			Q1: KPMG started review Q2: Finalise VAT review	
			No. of revenue enhancement	2 support programmes and	0	0	1	1	Identify 2 local municipalities requiring

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Q1	Q2	Q3	Q4	Comments
		conjunction with all municipalities apply an effective debt collection system	support programmes & initiative for local municipalities	initiatives					priority support (data cleansing, indigents registers, etc.)

## CORPORATE SERVICES (Vote: Finance & Admin: HR, Admin)

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Q1	Q2	Q3	Q4	Comments
Municipal Transformation and Institutional Development	Corporate governance and Public participation	Maintain the institutional capacity to implement the IDP and accompanying programmes	Recruitment of targeted and qualified individuals in line with the critical posts identified	100% of approved budgeted vacancies filled on time	100%	100%	100%	100%	Filling of vacancy in line with approved recruitment policy
			% of organisational structure reviewed and approved	100% of organisational structure reviewed and approved	25%	50%	100%		
			% job evaluation and job description completed in line with s66 of MSA	100% of job evaluations and job descriptions compiled	20%	40%	70%	100%	
			% of employment contracts developed and signed by staff	100% of employment contract developed and signed by all staff	10%	30%	60%	100%	Draft employment contract developed
			% review of HR policies completed	100% of HR policies reviewed and approved by Council	10%	50%	100%	100%	Review of HR policy manual to be completed
			% induction manual developed and approved	100% of induction manual developed and approved	0%	50%	100%		
			% compliance with Skills Development legislation	Annual Workplace Skills Plan and Annual Training Report submitted to LGSETA	20%	50%	75%	100%	
			% of trained categories of staff members as per the annual Workplace Skills Plan (WSP)	80% of trained categories of staff as per WSP	65%	70%	75%	80%	Establish training committee (Q3)
			% of compliance with Employment Equity legislation	100% compliance with EE provisions (submission of EE plan and report to Dept. of Labour by end of Oct. 2010)	50%	100%			Establish EE committee (Q3)
			% effective management of staff leave	100% compliance with approved leave procedures	25%	75%	100%		Accrued leave not to exceed 48 days; Encourage staff to take a minimum of 16 days annual leave; Implement leave process flow and revise manual leave register
			% implementation of institutional PMS	PMS cascaded to all managers	0%	50%	75%	100%	
			% calendar of council programmes and meetings developed	100% of calendar developed and approved by October 2010	50%	100%			
			% of meeting agendas delivered at least 7 days before all ordinary meetings	100% of agenda items received on time delivered within 7 days of ordinary meetings and 48 hours of special meetings	100%	100%	100%	100%	



Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Q1	Q2	Q3	Q4	Comments
			% council resolutions logged and implementation tracked	100% of resolutions logged and implementation tracked	10%	20%	70%	100%	Q2: Systems review Q3: Action plan & training for secretariat Q4: full tracking/compliance
			Effective management of labour disputes	95% of disputes and grievances handled in terms of collective agreements	90%	91%	93%	95%	
			% effective and efficient management of fleet	100% of fleet effectively and efficiently utilised	100%	100%	100%	100%	Proper maintenance plan for all vehicles in place; Up-to-date log books for all vehicles provided and maintained Established OHS committees Office space identified for sick bay Submit regular OHS and COIDA reports
			% compliance with OHS legislation	100% compliance with all applicable OHS legislation	10%	300%	60%	100%	Q2: Develop draft policy; Q3: Consultations with stakeholders and thereafter submitted to Council for approval
			% of employee HIV/AIDS Policy developed (to facilitate and support measures that will contribute to the reduction of HIV/AIDS infection levels among municipal employees)	100% of policy developed and approved by Council by end of March 2011	0%	30%	100%		
			No. of HIV/AIDS training sessions for councillors and officials (awareness training)	2 awareness training session conducted for councillors and staff				2	
			100% of Employee Wellness Programme introduced	100% of EWP policy developed and approved	10%	50%	75%	100%	Q2: Draft ToR/Policy Q3: Final policy approval by Council Q4: Awareness raising

## INFRASTRUCTURE SERVICES (Votes: Water, Sanitation, Roads and Electricity)

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target	Quarterly targets				Comment
					Q1	Q2	Q3	Q4	
Basic Service Delivery and Infrastructure Investment	Water	To ensure that adequate water is available in order that all rural and urban communities have access to potable water, which is provided on at least RDP standards at affordable rates	Capacity built at district municipality to fulfill its role as a water service authority	100% of WSDP developed and approved (DWA assistance for module 1)	10%	20%	50%	100%	DMA intervention; Installation of 2 boreholes in Q3 & Q4 each
			Local municipalities assisted to provide an effective service to their communities (urban and rural)	Regional Bulk Water studies (RBW)-monitoring of implementation by local municipalities			75%	100%	RBW = Feasibility Readiness Implementation studies
			No. of Water Sector Forum meetings convened	6 meetings convened	1	2	1	2	
			% of Operation and maintenance plans compiled	100% of Local O&Ms compiled	0%	20%	100%		
	Sanitation	To provide an acceptable and affordable sanitation system for the entire region (VIP or waterborne)	Sanitation infrastructure of entire region has sufficient capacity and functions properly	100% of sanitation master plans of locals compiled	10%	20%	50%	100%	
	Roads and storm water	To ensure the overall planning and provision of streets and storm water systems for all municipalities within the region in phases over the next 5 years	% of Free Basic Sanitation implemented % roads and storm water master plan developed Number of kms of roads upgraded and maintained in identified areas	100% of free basic sanitation implemented 100% roads master plan developed and approved 1km of gravel road upgraded in Nketoana 1km of gravel road upgraded in Maluti-a-Phofung 1km of gravel road upgraded in Sesoto 1km of gravel road upgraded in Phumelela 1km of gravel road upgraded in Dihlabeng 70 temporary jobs created	10%  0km  0km  0km  0	25%  0.5km  0.5km  0.5km  70	75%  0.75km  0.75km  0.75km  0	100%  1km  1km  1km  0	Assessment of free basic sanitation in rural areas Dependent on coordination by Premier's Office (liaise with PO)
	Electricity	To have a uniform electricity distribution system throughout the region for both rural and urban areas to ensure equal access to electricity by all communities	Number of temporary jobs created through EPWP projects Capacity built at district municipality to fulfill its role with electricity services % of electricity master plan developed and approved	% of District Energy Forum established 100% of master plan developed and approved	1  10%	2  25%	2  50%	1  100%	70 people employed on EPWP Incentive for 6 months period (started in Sept 2010) 6 meetings per annum  Consolidation of electricity backlogs in TMDM

## LOCAL ECONOMIC DEVELOPMENT (Vote: LED)

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Q1	Q2	Q3	Q4	Comments
Local Economic Development	Industrial development	To broaden the industrial base/capacity of the district	% of operational LED Department established	100% of LED department established	20%	60%	100%		
			% of District LED Forum established	100% District LED Forum established	25%	65%	100%		
			% of Industrial Development Strategy developed and approved	100% of Industrial Development Strategy developed and approved	20%	50%	75%	100%	
			% of database on existing and possible new factories developed	100% of factories database developed	20%	60%	100%		
			% of SMME database developed	100% of SMME database developed	20%	60%	100%		
	Tourism development	To ensure that tourist attractions and facilities meet and maintain industry standards to promote tourism at a regional level	% of Trade and Investment Strategy developed and approved	100% of Trade and Investment Strategy developed and approved	10%	30%	70%	100%	
			No. of sports tournaments marketed and promoted	3 sports tournaments marketed and promoted	0	1	1	1	Golf days, FS Starts games & Charity tournaments
			No. of capacity building programmes in District to enforce tourism standards and policies	5 capacity building programmes organised in local municipalities	0	1	2	2	
			% of tourist attraction routes established	100% of tourist attraction routed developed	0%	25%	60%	100%	Including townships attractions and heritage sites (political heritage route for 2012 centenary celebrations)
			% of tourism centres upgraded	100% of tourism centres upgraded	0%	25%	60%	100%	
			No. of self-help information systems installed at strategic centres	2 self-help information systems installed	0	1	1	0	Centres at Shell Ultra City and Engen One Stop on national roads
			No. of tourism awareness (culture) programmes conducted in the region with local people	5 tourism (including cultural tourism) programmes conducted in the district	0	1	2	2	

## COMMUNITY SERVICES (Vote: Community Services)

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Q1	Q2	Q3	Q4	Comments
Community Development and Social Cohesion	Sport and recreation	To ensure that proper sport and recreational facilities are available to all communities	% of district sports council reviewed	100% of district sports council established/launched by end of March 2011	20%	70%	100%		Q1: Draft programme of action for revival Q2: Assist in establishing local sports forums Q3: ToR & District council established/launched
			No. of sports tournaments planned and staged	2 sports tournaments organised			2		OR Tambo games Mayoral Cup (Feb. 2011)
			% of district arts and culture council established	100% of district arts and culture council established	20%	70%	100%		Q1: Draft programme of action for revival Q2: Assist in establishing local sports forums Q3: ToR & District council established/launched
			No. of programmes/initiatives to showcase cultural diversity within the District	4 programmes held	0	1	2	1	
Education	To improve the level of education and skills of communities		% of database for ECD service providers completed	100% of ECD database completed	50%	100%			
			% participation in District Education Forums	100% participation in education forums	100%	100%	100%	100%	Principals, Educators and SGBs
			% of District Bursary Fund for needy and well-performing children established	Annual event to recognize best/well-performing schools and/or students in the District	10%	40%	100%		
			% of District crime prevention strategy compiled and approved	100% of crime prevention strategy compiled and approved (in consultation with SAPS)	20%	50%	100%		
Safety and security	To ensure that Thabo Mofutsanyana is a crime-free area		Level of participation and support for crime awareness/prevention campaigns and forums in partnership with SAPS and other key stakeholders	100% participation and support for crime prevention initiatives such as "Arrive Alive", Safety & Security of Children, Business & Community Protection, etc.	100%	100%	100%	100%	
			No. of safety and security cluster meetings organised	5 safety and security cluster meetings organised	0	2	1	1	
			% of 16-days of activism	100% of campaign launched in	0%	100%			

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Q1	Q2	Q3	Q4	Comments
Disaster management		To ensure that proper contingency plans for disasters at local municipal and district level are in place	campaign launched	November 2010 (campaigns focusing on children & women)					
			Number of disaster management community awareness campaigns completed	5 awareness campaigns completed	0	1	2	2	
			% of risk assessment plan completed	100% of risk assessment plan completed	20%	50%	70%	100%	Finalise draft plan ready for adoption by Council Adopted by Council
			% of disaster management framework/plan compiled and approved	100% of disaster management framework/plan compiled and approved	100%				
			% of District Disaster Management Forum established	No. of meetings convened	0	1	1	1	Finalise terms of reference; schedule of meetings
Environmental management and care		To ensure that Thabo Mofutsanyana district area has a clean, green and healthy environment	No. of service level agreements with local municipalities and service providers signed	5 service level agreements signed	0	1	2	2	
			% of District Disaster Management Centre established (Warden)	50% of Centre established/functional	10%	20%	35%	50%	Resourcing of Centre in Warden (paving, access road & fencing; appoint personnel from Rural Metro)
			% compliance of business and structures within district with Health Act	200 compliance certificates issued	50	50	50	50	
			No. of environmental health awareness campaigns conducted	8 environmental health campaigns conducted	2	2	2	2	
			% of Environmental Health policy and By-Laws developed and adopted	75% of policy and By-Law developed	10%	25%	50%	75%	Public participation completed; Adoption by Council; Proclamation in Government Gazette outstanding
Health services		To develop, coordinate and implement a coordinated and coherent HIV/AIDS programme in line with National and Provincial imperatives	% of Service Level Agreement developed and signed	100% of SLA developed and approved	20%	50%	70%	100%	5 SLAs with local municipalities
			% of HTC campaign launched and implemented	100% of HTC campaign launched in Q1 and 2 programmes per quarter thereafter	100%	2	2	2	
			No. of meetings and workshops held with	8 meetings and workshops held	2	2	2	2	

Key Performance Area (KPA)	IDP Priority	Strategic Objectives	Key Performance Indicator (KPI)	Annual target 2010/11	Q1	Q2	Q3	Q4	Comments
			committees, traditional leaders and relevant stakeholders						
			% of event organized for World Aids Day (1 December 2010)	100% of events organised for World Aids Day	20%	100%			
			No. of inductions of Local Aids Councils	5 local councils inducted	5				
Transport	To ensure that a properly coordinated public transport exist in the district		% Integrated Transportation Plan (ITP) developed	100% ITP developed and approved	0%	25%	65%	100%	